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NEWS SUMMARY

GENERAL

Defence chiefs meet Thatcher

Defence chiefs met Prime Minister Margaret Thatcher to put on record their opinions on the current defence review.

The 1½ hour meeting, at their request, reflects the Services' fears of cuts in Britain's commitments. Page 10; Navy the most vulnerable, Page 7

Bystander killed

A civilian was shot dead in Londonderry as a gunman fired on an army foot patrol. In Belfast the Archbishop of Canterbury said the IRA hunger strikers' demands should be resisted but 50 Presbyterians, unconvinced of his opposition, walked out during his speech.

Begin lets fly

Israeli Prime Minister Menahem Begin resumed attacks on West German Chancellor Helmut Schmidt whom he branded a "Nazi officer." All Germans were guilty in the holocaust, he said. Knesset disclosures; Sadat wants trade-off, Page 3

Pope returns

Pope John Paul walked unaided as he left hospital for the Vatican three weeks after the attempt on his life.

Jo'burg clash

Johannesburg riot police used batons, teargas and dogs to break up a march by 2,000 coloured schoolchildren, angered at the detention of a student leader. Page 3

Brother Protest

Ernest Lefever, President Reagan's choice for human rights adviser, was accused by his brother of telling his family blacks are inferior in intellect. Filibuster threat, Page 4

No fear of coup

Greek Foreign Minister Constantine Mitsotakis dismissed reports of a coup plot in Greece, revealed to Parliament by an MP, as irresponsible talk by army officers. Store blast, Page 2

Fast by 500

More than 500 Poles in a top security jail are on hunger strike in protest at conditions. Economist fears rapid social reform, Page 2

More abortions

Soviet abortions exceed live births but no restriction are contemplated, a population planning chief said.

Extra rate near

Labour-controlled local authorities expect to make an autumn supplementary rate demand to maintain services in the face of Government moves against overspending. Page 8

BBC backs off

The BBC postponed next week's screening of The Pirate, adapted from Harold Robbins' novel on the Middle East, for fear of offending King Khaled of Saudi Arabia on his state visit.

Empire expands

Mirimba House, the British High Commissioner's official residence in Zimbabwe, is to be sold because it is too small.

Shergar it is

Shergar is valued at £8m to £10m after a 10-length Epsom Derby win at 11.10 on. The FT's Dominic Wigan leads the Sporting Life tipsters table with a season naps profit of £22.25 for level £1 stakes. Racing Page 20; Men and Matters Page 22

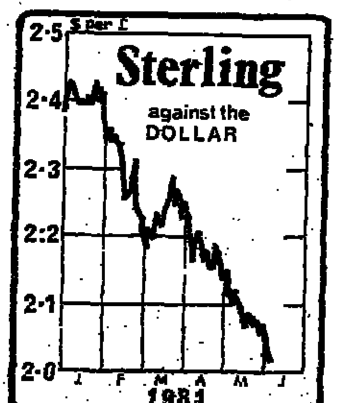
Briefly . . .

Bus inspector Mike Vicary of Hythe, Hampshire, won £757,236.45 on the pools.

BUSINESS

Sterling off 2.05c; dollar weaker

● STERLING trade-weighted index fell from 98.1 to 96.9, the lowest level since August last year. It fell 2.05c to $2.0175 after touching a low of $2.011 when the Bank of England probably intervened. It was also weaker against other currencies, at DM 4.765 (DM4.8325), FFr 11.255 (FFr 11.41), SwFr 4.22 (SwFr 4.2825) and Y451 (Y456). Page 33



● DOLLAR was mostly weaker against European currencies, closing in London at DM 2.36 (DM 2.371) and DM 2.3615 in Frankfurt, where there was active Bundesbank intervention to support the Deutsche Mark. In London it fell to SwFr 2.091 (SwFr 2.101), FFr 5.58 (FFr 5.59) and Y223.5 (Y223.65). Its trade-weighted index was the same at 107.9. Page 33

● GOLD fell $2.5 to $474 in quiet London trading. Page 33

● EQUITIES held steady, and the FT 30-Share Index closed 0.3 down at 546.7. Page 40

● GILTS remained unsettled, and the Government Securities Index eased 0.08 to 67.19. Page 40

● WALL STREET was off 3.99 at 983.49 near the close. Page 34

● BRITISH AEROSPACE is expected to sign a £500m extension to its Government-backed air defence agreement with Saudi Arabia. Back Page

● UK ENERGY intensive industries have become less competitive internationally because of rising oil and electricity prices, the NEDC was told. Back Page

● WEST GERMAN Chancellor Helmut Schmidt made an urgent personal appeal to EEC government heads to end national steel industry subsidies. Back Page

● FIRST EUROBOND at fixed interest for a French borrower since the Presidential elections, $75m for 15 years, was announced for Caisse Nationale des Autoroutes. Page 29

● CAMMELL LAIRD Shipbuilders of Birkenhead won its first North Sea oil rig order in a £61.5m contract from Dome Petroleum of Alberta, Canada. Page 6

● GOVERNMENT formally announced it is taking a neutral position over S. and W. Berisford's bid for British Sugar Corporation. Page 27

● RACAL called off the sale of its Decca television factory at Bridgnorth, Shropshire, to Tatung, of Taiwan. Page 27

● TALBOT UK announced a record net loss of £87.35m for 1980. Back Page

● MARLEY, building products group, reported pre-tax profits for the half-year ended April halved to £5.06m (£10.38m). Page 24; Lex, Back Page

● COALITE GROUP, fuel concern, increased pre-tax profits to £21.86m (£20.53m) in the year ended March. Page 24

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Atkins Bros.	45	+ 10
Bath & Portland	55	+ 5
Beecham	199	+ 10
Coalite	120	+ 8
Daejan	175	+ 12
Davies & Newman	136	+ 7
Edbro	46	+ 7
Fothergill & Harvey	151	+ 7
General Accident	310	+ 8
Hambros Bank	900	+ 20
Laganvale Ests.	40	+ 5
London United	195	+ 10
Martin The Newsagent	254	+ 8
Mercantile House	810	+ 20
Metal Box	190	+ 8
Miller (Stanley)	16½	+ 4½
Mountview	180	+ 8
Owen Owen	244	+ 11
Polymark	112	+ 16
Reed (Austin) A	74	+ 7
Rowlinson Constructions	48	+ 4
Sangers	60	+ 5
Telephone Rentals	345	+ 17
Transparent Paper	37	+ 4
Wolverhampton Steam Laundry	45	+ 5
Ultramar	453	+ 10

FALLS

Excheq. 12¼% 1999	£85¼	— ⅞
Avon Rubber	98	— 5
Comet Radiovision	156	— 5
De La Rue	740	— 23
Harrisons & Crosfield	862	— 38
Hill (C.) of Bristol	112	— 10
Pratt (F.)	90	— 8
Reed Int.	250	— 9
Second City Props.	72	— 5
BP	370	— 6
Shell Transport	360	— 6
Gold Fields S.A.	£38¼	— ⅜
Hartebeest	£30¼	— ⅜

Foot takes a gamble in challenging Benn to leadership fight

BY RICHARD EVANS, LOBBY EDITOR

MR MICHAEL FOOT took the biggest gamble of his political life last night when he challenged Mr Tony Benn to fight him openly for the leadership of the Labour Party.

The sensational move, made at a meeting of the Shadow Cabinet at Westminster, is an attempt to bring to a head the running conflict between Mr Benn and the Parliamentary leadership of the Labour Party, which threatens to tear the party apart.

In effect it launches the key battle for control of the party between the far left, led by Mr Benn, and the moderate left, centre and right of the party led by Mr Foot, who has now come out in open opposition to Mr Benn's tactics.

The key question is whether Mr Benn, who has openly defied his leader on a growing number of issues, will take up the gauntlet at the party conference in Brighton in the autumn, or whether he will decide to maintain his challenge to Mr Denis Healey for the deputy leadership.

Mr Foot, whose authority as leader has been increasingly undermined by Mr Benn's frontal attack on the role of the Shadow Cabinet and Parliamentary Labour Party, is gambling on Mr Benn accepting the challenge. He believes that, as elected party leader, he would win the contest overwhelmingly with trade union and PLP support.

Mr Foot's move was regarded as a master stroke by other members of the Shadow Cabinet last night. They banged their desks in support after he had read out a lengthy statement in Mr Benn's presence.

The widespread assumption was that the move was likely to force Mr Benn into open acknowledgement that he was challenging the leadership itself. That, it is widely felt, would lose him the support of many of the trade unions pledged to him in his fight to unseat Mr Healey.

Healey "has big lead over Benn. Page 10

The strategy could work but there is a chance it would misfire and throw the beleaguered Labour Party into even greater turmoil.

Mr Benn, who has considerable support in the constituencies and among many trade unionists, could score a respectable vote in a fight against Mr Foot. He would thus remain a long-term threat, or he could find a formula for avoiding a contest in order to continue his fight for the deputy leadership.

One of the reasons Mr Foot decided on a direct confrontation was the growing assumption that Mr Benn will be a formidable opponent against Mr Healey, and could conceivably win. This would make Mr Foot's position as leader virtually untenable.

In his lengthy statement to the full Shadow Cabinet Mr Foot said that, in his judgment, Mr Benn's "only honest course" was to stand against him in the coming election for the leadership of the party.

"It is clear that what he is challenging is the good faith of the Shadow Cabinet in carrying out its duties under the Labour Party constitution.

"That is, above all and directly, an attack on my good faith. Since that is now indisputably what appears to be his view, he should have the openness to act upon it."

Mr Foot said it would have been better for the party and for the country if the opposition could have concentrated all its energies on campaigns against mass unemployment, in favour of Labour's alternative economic strategy, and against the nuclear arms race.

"But the responsibility for distracting us from these issues must rest with Tony Benn himself, partly because of his

Continued on Back Page

Air fares set to rise 5%

By Michael Donne

AIRLINE fares and cargo rates are set to rise by 5 per cent in the autumn, subject to the approval of governments.

The special meeting of the International Air Transport Association (Iata) in Geneva agreed yesterday to apply to governments for permission to raise passenger fares from September 1 and cargo rates from October 1.

South American fares and cargo rates in North and South America will be pegged pending further discussion later in the summer.

In a long and difficult meeting the 60 airlines also agreed on two other measures to correct their worsening finances.

One measure was to set up "a fare deal monitoring group" to study various practices which are helping diminish airlines revenues. One of these is "discounting" which involves tickets being sold at rates below the official Iata fares. This costs the airlines more than $1bn a year

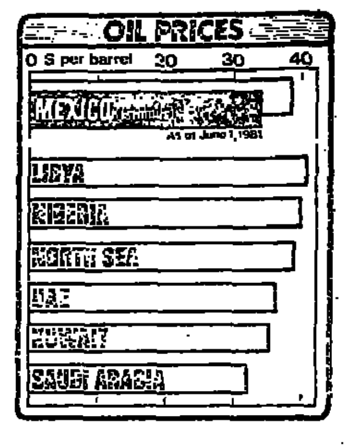
Airlines also agreed to urge their governments to review landing fees, air navigation charges and various taxes on airline activities, which all add to the airlines' financial burden.

Airlines' cash flow "must improve," Page 4

Mexico slashes oil prices by $4 a barrel

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE WORLD oil glut has forced Mexico to slash its crude oil prices by $4 (£1.98) a barrel—the most dramatic evidence so far of the mounting pressures on oil producers to cut their prices.



Mexico's move will put particularly strong pressure for price reductions on the exporters of the world's most expensive crudes — Libya, Algeria, Nigeria and Britain.

Mexico which exports about 1.1m barrels a day, much of it to the U.S., has told its American buyers that the price of its Isthmus blend crude has been lowered from $38.50 a barrel to $34.50, and its heavier Maya crude from $32 to $28, backdated to June 1.

In a similar move, Standard Oil of Ohio, British Petroleum's U.S. subsidiary, announced it was lowering by $2 a barrel the price of crude from the Alaskan North Slope, where it is responsible for 51 per cent of the 1.5m b/d of production.

The cuts come a week after a meeting of the Organisation of Petroleum Exporting Countries (Opec) at which African producers held out against strong pressures from Saudi Arabia for price cuts. Opec eventually agreed to freeze official prices, with a majority of members cutting production to reduce the oil glut.

Mexico is not a member of Opec yet normally follows the prices set by the organisation. But Sr. Jorge Diaz Serrano, head of Pemex, the state oil concern, said earlier this week the country would have to lower prices "in order to keep its clients and find others."

The Mexican cut seems certain to reduce further demand for oil from Libya, Algeria and Nigeria—all of which sell heavily in the U.S.—putting pressure on them to

Continued on Back Page

Mitterrand presses ahead with wealth and windfall taxes

BY ROBERT MAUTHNER IN PARIS

THE NEW French Government announced plans yesterday to tax windfall profits of banks and oil companies and levy a special wealth tax.

M Laurent Fabius, the Budget Minister, will present detailed plans to the Cabinet next week. After approval, the new taxes will form part of the Government's first budgetary package, to be presented to Parliament next month, following the general election.

Though no details were given after yesterday's Cabinet meeting, President Francois Mitterrand said during his election campaign that fortunes of FFr 3m (£263,000) and above would be taxed at rates from 0.5 to 8 per cent. Capital used for running businesses would be exempt.

The Government also intends to introduce an exceptional super-tax affecting the top 100,000 tax-payers. This will be calculated on the basis of tax paid in 1981 and not earnings.

In addition, Value Added Tax on a number of luxury products and services, including top-class hotels, is to be raised. The entertainment expenses of companies and the highest income groups will be subject to a new tax.

Among the important decisions taken yesterday by the Cabinet were the first batch of social measures promised by

France seems almost certain to go ahead with its half of the $6bn Franco-German international loan project prepared by the previous administration. M Pierre Mauroy, the Prime Minister, said it would be a "positive measure."

President Mitterrand during his election campaign. These range from a 10 per cent rise in the national minimum wage to substantial increases in family and housing allowances and pensions.

The national minimum wage, will be raised (retrospectively from June 1) from FFr 2,644 to FFr 2,909 (£258) a month for a 40-hour working week. The Government has called on employers and wage-earners to avoid passing on a similar increase to the higher-paid in an attempt to maintain differentials. How much notice will be taken of this appeal remains to be seen.

To lighten the extra financial burden imposed on companies by the rise in the minimum wage, companies' social security payments on wages up to 1.2 times the amount of the minimum wage (FFr 3,480) will be reduced by 50 per cent.

The Government's decision was criticised by both the Communist-led General Confederation of Labour union (CGT) and the Patronat (Employers' Federation), although for different reasons.

A spokesman for the CGT said a Left-wing Government should have raised minimum pay to the symbolic level of FFr 3,000, while M. Yvon Chottard, Vice-President of the Patronat. said a sector by sector negotiation would have been a more flexible method of achieving roughly the same objective.

Stake in rail hotels for sale

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

INVESTORS are to be invited to take a majority stake in three of British Rail's top hotels, in Scotland, including the world-famous Gleneagles Hotel. The others are the North British and the Caledonian, both in Edinburgh.

Mr Norman Fowler, the Transport Secretary, gave notice of the proposed sale for "more than £10m" in the Commons yesterday. Labour MPs claimed that the Government had put pressure on British Rail to sell the hotels at £4m below their market price.

Mr John Prescott, an Opposition spokesman on transport, claimed "British Rail's own advisers believed the hotels were to be sold at a discount of £4m and the BR board would lose a further £1.5m income each year."

British Rail has formed an independent company in Scotland, Gleneagles Hotels, to own and manage the three hotels with the aim of attracting private capital for further development. Mr. Fowler told MPs that British Rail would buy a third of the shares.

"It is a good deal for the British Railways Board and for the people who work in the hotels, and will be to the benefit of tourism in Scotland," he said. British Rail hotels had been starved of investment for the past 25 years, MPs were told.

"This is a practical and constructive way of dealing with the situation," Mr. Fowler added.

Mr Prescott demanded an investigation by the Commons public accounts committee into the sale, but Mr Fowler insisted that the initiative to sell the hotels came from British Rail.

The formation of the Gleneagles Hotels company was the first stage by British Rail towards the introduction of private capital into some of the BR non-rail subsidiaries. These include Sealink (UK), the ferries company, Seaspeed Hovercraft, British Transport Hotels and the non-operational property assets.

Private capital will be introduced into these subsidiaries through British Rail Investments, a holding company set up by BR in November.

British Rail is to be allowed to sell shares in any of its subsidiaries, including British Rail Engineering, the manufacturing arm of BR, under powers included in the Transport Bill which is now before Parliament.

However, this Bill does not have to become law for British Rail to sell off its assets. It is allowed to sell parts of its business under the terms of the Railways Act 1962, provided that it does not set out of a business completely.

The British Linen Bank the merchant banking subsidiary of the Bank of Scotland, is advising British Rail about its proposed sale of shares in Gleneagles Hotels. Talks are expected to begin immediately with institutional investors.

£ in New York

	June 2	Previous
Spot	$2.0420-0450	$2.0520-053
1 month	1.10-1.17 pm	1.10-1.17 pm
3 months	3.05-3.15 pm	2.65-2.75 pm
12 months	7.10-7.30 pm	6.45-6.60 pm

Building pay chaos may end

BY CHRISTIAN TYLER, LABOUR EDITOR

A LONG-TERM solution to the wage-bargaining chaos that has plagued big construction sites in Britain for years is in sight.

After three years of talks, employers and trade unions engaged in building major installations like power stations, oil refineries and chemical plants yesterday agreed to set up a national body for determining pay rates.

This and other proposals have still to be ratified by the members of the Engineering Employers Federation, the Oil and Chemical Plant Constructors Association, and by craft and general unions.

But it was confidently predicted last night that the deal would be working by November. It could do much to eliminate the pay leap-frog and demands for huge "termination bonuses" that have contributed to long delays and spiralling costs on big sites.

A new national joint council for the industry, eventually to have its own offices and staff, will meet in ten days' time to prepare the ground.

The main elements of the agreement include a common wage-rate for craftsmen and semi-skilled workers (£2.77 an hour for craftsmen in November, with a 39-hour week) and a national framework for incentive bonus payments. This would be controlled by the national joint council.

Each project would form its own employer-union joint council and there would be a national procedure for resolving disputes.

Existing collective agreements between unions and groups of employers would be subsumed into the national agreement. This would remove the kind of glaring anomalies that have upset unions like that of electricians, whose large-site contract workers already have their rates of pay determined mainly at national level.

In theory it would also prevent disputes like that at the Isle of Grain power station which involved insulation engineers or "laggers." This began as an argument about bonus rates and led to one of the biggest inter-union controversies in the TUC's recent history.

CONTENTS

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EUROPEAN NEWS

WARSAW WARNED OVER 'EXCEPTIONAL' SOCIAL TENSIONS

Economist fearful of rapid reform

BY CHRISTOPHER BOBINSKI IN WARSAW

AN EMINENT Polish economist has warned the Government that it could face "exceptional" social tensions if it presses ahead too quickly with crucial economic reforms. While consumer prices increases "on a *very serious scale*" and redeployment of inefficient labour are vital for the country's recovery, Professor Czeslaw Bobrowski says change must be introduced gradually.

Prof. Bobrowski, a veteran independent academic who was *chief government* planner in the immediate post-war years, says that the best method of dealing with prices would be to introduce a composite prices and incomes policy. He doubts, however, that such a plan would be acceptable to society at large.

Furthermore, redeployment of labour—some 1m workers are believed to be involved—would have to be a long-term project "if social tensions on an exceptional scale are to be avoided."

The professor's suggestions, published in today's issue of the economic weekly, Zycid Gospodarcze, are the key elements of an outline economic stabilisation plan prepared at the invitation of General Wojciech Jaruzelski, the Prime Minister. The official government proposals, which have not been made public, were recently condemned in Parliament and the press.

The price of petrol, cigarettes, alcohol and luxury goods should be raised immediately. Prof. Bobrowski says, while the prices of milk, cheese and bread should be raised only after consultation with the people.

After a time, the prices of consumer durable goods should be raised and meat would come last of all. This means that meat rationing would continue for some time.

Prof Bobrowski argues that prices must be brought up to the cost of production. Only the lowest paid should be compensated for the rises.

He also suggests a shorter working week, the abolition of night working for women, earlier retirement, and encouragement for women to leave their jobs by increasing family allowances.

An increase in the annual coal production rate from the present inadequate 170m tonnes is seen as crucial to economic recovery. Prof Bobrowski confesses, however, that apart from suggesting an increase in employment, which would be difficult to achieve, he sees no ready solution to this problem *given that miners have just won* the right to a five-day week.

Prof. Bobrowski stresses the need for decentralising management reform but admits that because of shortages of raw material, many items will still have to be centrally distributed. Foreign trade will also have to be centrally controlled, in view of the heavy debt burden and balance of payments deficit.

POLISH COAL production continued to run well below last year's level last month, Christopher Bobinski writes from Warsaw. Output in the first five months of the year reached 68.8m tonnes, against 86.9m on the same period last year.

But officials at the Mining Ministry point to the shorter working week this year and say last year's published figures were higher than the real production levels. Coal exports so far this year stood at 6.2m tonnes, about 50 per cent lower than in the same part of 1980.

Shortages of coal and other raw materials, and home and imported semi-finished products, meant that industrial production in the first four months of the year was 10.2 per cent down on the same period in 1980. Zycie Gospodarcze, the economic weekly, reports. Cement production fell by 25 per cent, and agricultural machinery by 15.5 per cent.

Stocks of consumer goods continued to decline, while consumer spending rose by 11.2 per cent, and savings also grew. Meat and milk production continued well below last year's levels.

Despite the sharp drop in *industrial production, employ*ment levels in the first four months of the year showed a mere 0.3 per cent drop. In the same period, imports from the hard-currency countries dropped by 17.8 per cent while imports from Comecon grew by 14.4 per cent.

Basques move closer to autonomy

By Robert Graham in Madrid

THE BASQUE country has moved a stage further towards autonomy with the taking over by the Government of effective *administration* and collection of taxes in the three provinces.

Behind the agreement between the Basque Government and Madrid is the concept that the Basques hand over to the Spanish state an agreed annual *portion of* all taxes collected.

In return, the Basques assume responsibility with the residual funds to finance not only the operations of the Basque Government but also the municipalities and the county councils. This formula reflects the ancient economic rights of the Basques agreed between them and the Spanish crown, known as "Fueros."

It is a different approach to that adopted by the Catalan Government, which has preferred to leave collection of all *principal* taxes to the state, and then receive back an agreed annual portion.

The funding of the municipalities and the county councils is excluded from this.

The Basque system provides greater overall control for the Basque Government. *However, the Catalans, when they opted for their approach,* felt that the Basque Fueros could involve extra financial burdens and lead to lengthy disputes with Madrid.

More recently, the Catalans have indicated privately that the Basque system might have been more advantageous.

The principal tax excluded from the Basque sphere of control is customs duties. In crude terms, the agreement means that for every 10 pesetas collected by the Basque Government, six will be retained.

The total tax collection for the Basque country in 1981 has been fixed at Pts 119bn of which some Pts 74bn will remain with the Basques.

Athens department store blasted

Incendiary time-bombs gutted one of Athens' largest department stores and caused extensive damage to another in the latest of a series of terrorist acts apparently aimed at destabilising the Government, *Victor Walker reports.* Last December, an organisation caling itself "October 80" said it had bombed two stores in Athens in protest against excessive profits by capitalism at a time when inflation was making life difficult for the average Greek.

French Left set for election alliance today

BY ROBERT MAUTHNER IN PARIS

THE FRENCH Socialist and *Communist parties are* widely expected to reach a limited agreement today which will enable them to go into the general election on June 14 and 21 as allies, though without a common government programme.

At their first full negotiating session on Tuesday, the leaders of the two delegations—M Lionel Jospin for the Socialists and M Georges Marchais for the Communists—both emphasised that they wanted to reach an agreement.

But whereas M Marchais played down the disagreements between the two parties, M Jospin made it clear that important problems remained to be settled before an alliance could be concluded.

The Socialist leader said that while he appreciated the new *friendly tone adopted* by the Communists, the Socialists wanted to make sure their prospective partners were not motivated only by tactical considerations and self-interest.

The Communist attacks over *the past three years* on the Socialists and their chief representative, *President Françoise* Mitterand, could not be forgotten overnight.

M Jospin said it would be a hard task to find within a few hours the "magic formulas" which would put an end to the long-standing differences between the two parties.

On television later, M. Jospin declared that the participation *of Communist Ministers* in the Government formed after the *general election* — presuming that the Socialists and Communists combined obtain a majority in parliament—would depend on the outcome of the discussions between the two *parties*.

He hinted, however, that this sensitive question might not be settled until after the election. What the Socialists clearly want to see adopted is a two-stage procedure, under which the joint declaration expected to be agreed today would be only the first step towards an agreement.

The second stage—a possible agreement on a joint government programme—would be delayed until imediately after the election, thus allowing President Mitterrand to side-step the problem of Communis *participation in the Government* during the election campaign.

Government steps up nationalisation moves

BY TERRY DODSWORTH IN PARIS

THE FRENCH Government has set up a committee to translate its ambitious nationalisation proposals into a firm project, to be put to Parliament sometime *in the autumn*.

This decision, announced yesterday by M Pierre Joxe, Industry Minister, underlines the importance attached to the extension of the public sector by a significan par of the new Socialist Administration.

While som Ministers, notably M Jacques Delors, the economics overlord, have shown no great enthusiasm for the party's programme, the policy as it stands envisages nationalisation of nine big groups, along with various businesses already close to the public sector.

M Joxe yesterday went out of his way to re-affirm his own commitment to the nationalisation policy.

Private industry, he argued, was not investing enough in key areas. The State on the other hand, would be able to inject fresh capital into large companies which could then act as locomotives for the rest of the economy.

M Joxe did not give many details on the committee's programme, but it is likely that companies on the nationalisation list will be dealt with separately except where there is a close affinity.

Usinor and Sacilor, for example, the two steel companies which are already highly dependent on State finance, will probably be dealt with together at a fairly early stage.

M Joxe also indicated his own preference for a more interventionist policy for industry in general.

Since internal demand is to be *stimulated* by *higher* social benefits, he argued, the market will need to be protected from excessive international competition, whil small companies will be helped to take advantage of the improved conditions by means of an improved programme.

U.S. policy on interest rates attacked by Schmidt

By Roger Boyes in Bonn

THE HIGH level of United States interest rates could lead to a worldwide depression, Chancellor Helmut Schmidt of West Germany warned yesterday. The inevitable consequence of U.S. interest rates of about 20 per cent would be a strong increase in European unemployment, he said.

The Chancellor's message, delivered during the lengthy budget debate in Parliament, comes only a day after Japan expressed similar fears. European and Japanese leaders evidently intend to press for much closer collaboration on interest rate policies at the Western economic summit in Ottawa towards the end of next month.

The Ottawa meeting is set to play a crucial role in Bonn's planning of its 1982 budget. A first meeting on the draft budget will take place only on July 27, so that any international decision on interest rates can be taken into account when the various cuts are considered. The high interest rates are imposing a growing burden on government borrowing, both at home and abroad.

Although West Germany recorded a much improved current account *deficit* in April, the Chancellor gave a gloomy view of possible economic developments over the coming year. If the world recession dragged into next year, Bonn's *budgetary problems* would deteriorate even further, he warned.

Kevin Done adds from Frankfurt: Stronger demand from both domestic and foreign markets helped boost orders to West German manufacturing industry by 6.5 per cent in April compared with March. They bring some relief for the flagging economy, although there is little sign yet of any corresponding upturn in the labour market.

The latest unemployment figures released yesterday show *a slight fall in May* to 1,109,667 or 4.8 per cent of the workforce compared with 1,146,481 or 4.9 per cent in April. On a seasonally adjusted basis, however, unemployment is still rising.

In May there were 342,899 more people unemployed than a year ago and the number of job vacancies reported in the first five months is the lowest since 1951.

On a seasonally adjusted basis, unemployment rose to 1.24m compared with 1.16m in April. The number of people on short-time declined slightly to 340,207 compared with 359,744 in April.

Industrial order figures were boosted in April by a number of large contracts awarded by both domestic and foreign customers. Orders from the home market were up by 6 per cent while foreign orders rose by 7.5 per cent.

On a two-month camparison new orders also show a rise of 1.5 per cent in March/April over January/February. The increase is derived solely from capital goods orders, however. Those rose by 4.5 per cent, *while new orders in the consumer goods sector* fell by 5.5 per cent.

East Germany backs hard-line Polish group

BY LESLIE COLITT IN BERLIN

EAST GERMANY has joined the Soviet Union in throwing its full support behind a small group of orthodox Polish Communists in the city of Katowice which has attacked the Polish leadership for "falling into the hands of revisionists."

The official East German news agency, in a despatch carried in all newspapers, accused "social democrat groups" in the Polish Communist party of planning to form a "legal opposition." This is one of the cardinal sins in the eyes of the hard-line Communists in East Berlin and Moscow.

The rift, between the hardliners and the Polish Communist leadership under Mr. Stanislav Kania, its first Secretary, appears total. The ruling Politbureau of the Polish Communist Party has condemned the so-called Katowice Forum as being "harmful and spreading false generalisations."

The inability or unwillingness of Moscow and East Berlin to understand the predicament of the Polish leadership is highlighted by the fact that even Mr Kania's chief rival, the hardliner Mr Stefan Olszowski, has criticised the Katowice group, who warned the leadership to start a "political and ideological offensive" against the reformers.

Relations between the orthodox Communists in Moscow and East Berlin, and the Polish Communists, have dropped to a new low as the emergency Polish Communist Party congress set for July 14, draws closer.

The East German news agency accused the main Polish Communist newspaper Trybuna Ludu as well as the Polish news agency PAP of joining with the independent trade union Solidarity in attacking the Katowice group.

Saudis 'still diversifying currency reserves'

BY STEWART FLEMING IN LAUSANNE

SAUDI ARABIA is continuing its policy of diversifying its currency reserves "like any prudent investor."

This was disclosed in Lausanne yesterday by Mr Abdul Aziz al Quraishi, Governor of the Saudi Arabian Monetary Agency, the state's equivalent of a central bank.

Fears have been expressed recently that a shift in investment policy, particularly by Saudi Arabia, in favour of the dollar could be adding to disturbances in the international currency markets.

Earlier in the week, the West German Government had to deny reports that Saudi Arabia was unwilling to acquire further Deutsche Mark debt. Speculation on this had raised fears of greater financing problems for the federal republic.

Mr Al Quraishi described suggestions that Saudi Arabia was not prepared to take up further Deutsche Mark debt—it has absorbed DM 13bn so far this year—as "not true at all," adding: "At least we get the market rate."

He was speaking at the International Monetary Conference of leading world bankers. Earlier Mr Edward Heath, the former British Prime Minister and a member of the Brandt Commission on world poverty and economic development, called for a fundamental change in the structure of power within international lending institutions such as the International Monetary Fund and the World Bank.

Such a change, he said, would be aimed at giving oil-producing countries decision-making powers within these institutions which are more closely related to the size of their contributions.

It would, Mr Heath argued, represent a recognition of where financial power lies in the modern world. He suggested that U.S. and British resistance to such a shift was one of the reasons why Sir Geoffrey Howe, the British Chancellor of the Exchequer, was not elected to the chairmanship of the *IMF* Interim Committee at the recent meeting in Bonn despite U.S. support for his candidacy.

● Mr Donald Regan, the U.S. Treasury Secretary, will not attend the conference because of "pressing commitments" in Washington, Reuter reports.

Red Brigades gunmen seize Alfa executive

BY RUPERT CORNWELL IN ROME

RED BRIGADES terrorists yesterday kidnapped an Alfa Romeo executive near Milan as Italy's Government crisis dragged on with little sign of an early solution. He was the third person seized in a month.

Sig Renzo Sandrucci, a manager at the car company's Arese plant on the outskirts of the city, was seized by gunmen as he left home for work. He is the seventh Alfa executive to fall victim to terrorism since 1974.

His seizure means that the Red Brigades are holding three people simultaneously in Italy. The others are Sig Ciro Cirillo, a Naples city councillor captured on April 28 and whose "Peoples Trial," according to the latest terrorist communique, is close to an end and Sig Giuseppe Taliercio, a manager of a plant at Mestre, near Ven*ice, owned by the Montedison* group.

However, the kidnappings have created little stir in Italy. This is partly because of deliberately reduced Press coverage, but above all because they have coincided with even more sensational news: the Pope's shooting, the spreading P-2 Freemasons' lodge scandal and the latest government crisis.

It seems unlikely that the government crisis will be solved before the important round of regional elections on June 21, at which more than 9m Italians will be voting, although the chances of Sig Arnaldo Forlani, the outgoing Prime Minister succeeding himself now look less bleak.

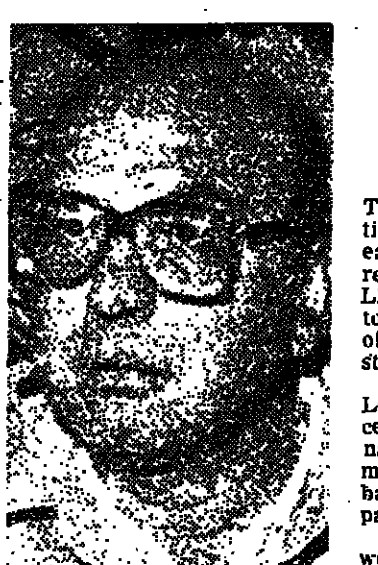
His chances of creating a new government, which would ex*tend the previous four-party* coalition to a five-party arrangement embracing the small centre-right Liberal Party, still depend on agreement from the Socialist Party, vital for any coalition to have a majority.

Yesterday, however, Sig *Bettino Craxi, the Socialist* leader made clear at a party meeting that he was not vetoing Sig Forlani out of hand. Instead, he proposed talks between his party and the ruling Christian Democrats to work out a deal that would save the Parliament, due to run to 1984, from a premature end.

These negotiations would be followed by consultations with other parties likely to form the new government — meaning that even if Sig Forlani does succeed in putting together his second, and Italy's 41st, government since the end of the war, it will not be before June 21.

Essentially, both Socialists and Christian Democrats are playing for time. By common consent the former made a tactical blunder by provoking the crisis and the Christian Democrats have effectively called Sig Craxi's bluff by making it plain they would rather face early general elections than surrender the Prime Ministership to a Socialist—or any other non-Christian Democrat.

Both sides seem to prefer to await the *outcome* of *the* regional elections, which could give important pointers to changes in electoral fortunes. At the same time, no-one is keen to be rushed into any agreement which could be blown to pieces by developments in the P-2 affair.



Sig. Bettino Craxi: offer of talks on government crisis

Quake rebuilding cost put at more than £6bn

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE TOTAL cost of reconstruction work following last year's earthquakes in the Naples region is now put at some L15,000bn (£6.25bn), according to Dr Massimo Perotti, president of Cassa per il Mezzogiorno, the *state financing agency.*

Dr Perotti was speaking in London ahead of the signing ceremonies for a $1bn international credit to the Cassa made available by some 60 banks from 12 countries to help pay for the reconstruction.

He said feasibility studies were still being carried out on projects associated with the reconstruction work and, until they were completed, it was not clear how much more the Cassa would need to raise on international markets to finance the programme.

Originally, it had been seeking a $2bn credit *from* the banking community, but the amount was cut to $1bn after poor response from banks who were worried about the low margins offered over money market rates.

The $1bn lopped off the total, however, had been conceived as a standby credit which would only have been drawn on to meet additional costs as they arose.

Had the loan gone ahead on the basis of the full amount, *Bankers Trust, which led the* operation, would have been entitled to a special fee of $1m but, because the loan was reduced, this fee was cut to $500,000 and the amount shared out among all the other lead managers.

Railways credit, Page 29

Brezhnev talks still expected

By Our Bonn Correspondent

RECENT UNUSUALLY sharp Soviet attacks on Bonn's policies have not affected the prospects of a meeting later this year with President Leonid Brezhnev, according to Chancellor Helmut Schmidt. He said on television last night that he would use the meeting to press for renewed arms control talks between Washington and Moscow. Officials believe the summit will be held in September in Bonn.

Bonn appears determined to establish a better relationship with President Reagan's administration than it had with Mr. Carter's, but that means taking over some of the loud criticism of Soviet behaviour being heard in Washington. That, in turn, has caused friction with Moscow.

At the same time, however, Bonn must continue its dialogue with Moscow in order, among other aims, to bring closer an arms control agreement between the superpowers. Progress on such an accord is a central tenet of broad sections of the Chancellor's Social Democratic Party and seems to reflect genuine fears among the population about the arms race.

In keeping with the harsh tones being used in Bonn about Soviet missile deployment, both Herr Hans Dietrich Genscher, the West German Foreign Minister, and M Claude Cheysson, his French counterpart, pointed on Tuesday to the problem of the Soviet SS-20 missiles.

How defence of the lira is taking the place of economic strategy

BY JAMES BUXTON IN ROME

THE ANNUAL meeting of the Bank of Italy has almost the importance in Italy's economic calendar as budget day has in Britain. Nearly everyone of importance in the economic establishment paces the marble halls of the central bank, greeting friends and listening to the usually doleful report on the Italian economy from the governor, guardian of the Italian currency.

Last Saturday's report by Dr Carlo Ciampi was particularly severe. Inflation was running at 20 per cent. The lira had ceased to be a measure of value. Governments had been complacent. The time had come for a government to take drastic measures to save the lira, the economy and the country.

Yet there was no government for Dr Ciampi to address—the *last one had resigned at the* beginning of the week, swept away by the masonic lodge scandal and the overriding imperative of inter-party manoeuvring.

That, in itself, symbolises what is wrong with the Italian economy, where the only constant is the respected and ever-vigilant central bank. But the bank cannot implement economic strategy: it can only admonish, handle monetary policy and control the currency usually through emergency measures to make up for lack of government action.

The day after Sig Arnaldo Forlani resigned last week, the bank did exactly that, imposing compulsory deposits on imports of everything except crude oil and grain. Importers must now deposit 30 per cent of the value of their imports with the central bank for three months, and the rules also apply to Italians taking foreign currency abroad. The scheme is in force for four months.

The main objetive is to cut Italians' apparently insatiable appetite for imports at a time when Italy has registered a trade deficit of L5,000bn (£2.1bn) in the first three months of this year, compared with L3,800bn for the equivalent period last year. The deposits will also reduce liquidity, which is also out of hand. Government borrowing is running nearly 30 per cent above target.

But the measures may also put up inflation by about 2 per cent a year and will impose a heavier cash flow burden on companies already suffering from a 22.5 per cent prime rate. They may stifle industrial recovery by hitting the import of essential raw materials, and offend Italy's partners in the European Community, whose rules allow such action only in dire emergency.

Certainly the lira was under pressure last week against the dollar, but the largest single part of Italian trade *is with its* European partners and the Italian currency has lately held up rather too well for Italian exporters' good against the other currencies in the European Monetary System.

Yet even if evidence of a dire emergency is incomplete, measures of some kind were necessary soon and the Bank of Italy effectively running economic policy, could use only the weapons it had to hand.

In many respects, the Italian economy is the most dynamic in Europe. Over the past two years it has grown by 10 per cent in real terms, faster than the economy of any other country in the Organisation of Economic Co-operation and Development except Japan. Investment in new equipment over the two years was an *impressive 30 per cent*.

Its weakness is its tendency towards high inflation caused by heavy government borrowing (12 per cent of gross national product last year), essentially to fund development in the poor south and to subsidise a *frequently inefficient* public sector, and by pervasive indexation (wages are indexed through the notorious *Scala Mobile*—the "moving scale"). During the last boom, fast-rising labour costs (large Italian concerns suffer low productivity from an over-protected workforce) gradually eroded the competitiveness of much of Italian industry, which fell by 6 per cent in 1979/80. This was aggravated by the weakening of export markets because of the recession, so that exports fell by 5 per cent in quantity last year.

But the Government delayed reining back the economy until the middle of last year, and the progressive credit squeeze from then on was insufficient either to reduce inflation or to make much impression on imports. Italy ended last year with a record trade deficit of L19,000bn.

Coalition governments find spending cuts virtually impossible to make, and in the six months to March this year the Government took on new spending commitments of L27bn, including help for the area hit by the earthquake last November. Even when the liras central parity in the European Monetaty System was devalued by 6 per cent last March, the *accompanying* economic measures, mainly designed to bring the public sector deficit back to the original target of L37,500bn, were not agreed until mid-April, and had unaccountably not been presented to parliament for approval before the Government fell last week. Now they are being submitted as decree laws.

The effect of any economic improvements will diminish if inflation continues to erode competitiveness, while the social consequences of permanently high inflation are frightening. Already there are worrying signs of a downturn in personal savings as Italians consume to keep up with inflation.

The bank governors have called for government spending to be co-ordinated with the bank's monetary policy, for the bank to be able to refuse to buy the Treasury's paper if it is rejected by the market, and for a more determined government role in national wage negotiations, accompanied by a reduction in the effect of indexation. In the circumstances, these are the minimum a montary authority concerned about the currency could ask for, but it will take a very tough government to impose them. The present political crisis *seems unlikely* to produce one.

Dr Ciampi: no Government to address

Italy chooses N-reactor

Italy's nuclear power programme will be based on the pressurised water reactor (PWR) system, writes James Buxton. An agreement to this effect was signed in Rome yesterday by Enel, the electricity authority, and members of the nuclear industry.

The licence from Westinghouse to build the PWR is held by Nucleare Italiana Reattori Avanzati (Nira), a subsidiary of the state-controlled Ansaldo company. Fiat and other private engineering concerns hold 25 per cent of Nira.

The agreement should end considerable wrangling within the Ansaldo group about which reactor to build. Nira's immediate parent company, Ansaldo Impianti, has the licence to build the boiling-water reactor. Italy's two most recent nuclear stations are of this type.

Italy has three nuclear power stations in operation. Five new plants, each with two reactors, are planned for the rest of the decade. Resistance from local authorities has brought the programme virtually to a standstill. Construction of only one nuclear power station has ben started since 1975.

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Riot police break up march in S. Africa

By Quentin Peel in Johannesburg

RIOT POLICE yesterday broke up a protest march by 2,000 coloured (mixed race) schoolchildren in Johannesburg, using teargas, dogs and rubber batons. The pupils were demonstrating against the detention of a student leader.

Some 60 students were arrested by the police, and others were trapped in their classrooms where they fled to escape the teargas. Mourners attending a funeral nearby were also dispersed by the police.

The schoolchildren were marching from their separate schools to assemble into one demonstration at the Westbury High School when the police broke them up. They were protesting at the detention of Mr Aziz Jardine, President of the Students' Representative Council at the Chris Jan Botha High School, who was arrested during demonstrations against South Africa's Republic Day festivities last week.

The principal of the Westbury High School, Mr Henry Petersen, said his pupils were baton-charged and beaten up on the school premises, even though they had not taken part in the demonstration. Some were dragged across the floor and kicked. Teargas cannisters were fired into the classrooms. The Johannesburg Star newspaper reported that four Westbury students were admitted to hospital — one suffering from shock, two from asthmatic attacks caused by teargas poisoning, and one with a fractured leg.

Beheshti warns Bani-Sadr

By Terry Povey in Tehran

The TEHRAN Supreme Court could ask revolutionary leader Ayatollah Khomeini to consider dismissing President Abolhassan Bani-Sadr, should it find him guilty of unconstitutional acts, Ayatollah Beheshti, head of the court said yesterday.

Ayatollah Beheshti's warning to the President comes after a spokesman for a three man commission set up by Ayatollah Khomeini to arbitrate constitutional disputes said this week that the President had not dealt "logically and suitably" with some political problems.

Knesset disc sures embarrass Phalangist leaders

BY DAVID LENNON IN TEL AVIV AND IHSAN HIJAZI IN BEIRUT

MR MENAHEM BEGIN, the Israeli Prime Minister, yesterday easily survived a confidence vote on his commitment to the defence of Lebanese Christian forces. The Knesset debate, however, has come as a major embarrassment to the Christian Phalangist leaders.

Observers in Beirut say that a sharp difference in view has developed within the leadership of the Phalangist Party, Lebanon's main Christian rightist group, over the extent of its contact with Israel.

Disclosures by Mr. Begin in the Knesset yesterday have apparently laid Phalangist leaders open to attack and several party politburo members are reported to have warned that close ties with Israel could lead to the partitioning of Lebanon.

Mr. Begin's Likud coalition easily defeated a motion yesterday by the Opposition Labour Party for a full parliamentary debate on the Premier's commitment to defend the Christians against Syrian air attacks.

The commitment, originally made in 1978 and reaffirmed in April this year, was sharply criticised by Mr. Yitzhak Rabin, the former Prime Minister, who said that it had transferred control of the Israeli Air Force in certain circumstances reign elements.

Israel honoured th mmitment at the end of A when it shot down two S heli-copters which had be volved in the siege of the banese Christian town of Za in the Bekaa Valley. Subsequently, Syria moved anti-aircraft missiles into Lebanon.

Mr Begin replied that he had not taken the 1978 decision alone, but only after consultation with the Foreign and Defence Ministers and the Chief of Staff.

However, Mr Moshe Dayan, who was Foreign Minister at the time, said there was a world of difference between the 1978 undertaking and that which was reiterated to the Christians earlier this year by a special Israeli envoy sent to Lebanon. The first promised only to consider action, he said, while the second undertook to act.

Beirut observers say that last month, the Phalangist leadership was about to take a decision to sever the link in favour of reconciliation with Syria and inter-Lebanese entente. However, the shooting down of the helicopters preempted the move, and played into the hands of the hawks in the Phalangist party who, it was reported, wanted to carry the co-operation with Israel to the very end.

The hawks are said to be led by Bachir Gemayel, the commander of the Phalangist-controlled Christian militias and younger son of party chief Pierre Gemayel. Bachir's older brother, Amin, reportedly wanted the connection with Israel kept at the lowest possible level.

While Pierre Gemayel has repeatedly denied the secret link with Israel, in public statements he now says that the Christians would be ready to co-operate with the devil, if need be, in order to survive.

● The Israeli Navy attacked a base of the Popular Front for the Liberation of Palestine near Tripoli in Northern Lebanon early yesterday morning, the second raid on guerrilla bases in 24 hours. The raid demonstrated Israel's total disregard for U.S. criticism that the attacks were harming the prospects of resolving the missile crisis.

Sadat w ts tradeoff at Begin talks

BY ALAN MACKIE I O AND DAVID LENNON IN TEL AVIV

PRESIDENT Anwar t of Egypt will be puttin per-sonal prestige with ena-hem Begin's constitue the line when he meets raeli Premier in Sharm eikh today.

He has decided t e up the offer, despite rious declarations that he not meet any Israeli lea until after the country's e 30 election, because he ts a trade-off too.

For Mr. Begin, ingle most important achie nt of the meeting is the f at it is taking place only a weeks before the General E n.

The meeting provi tan-gible boost to his im s the peacemaking states and underlines the major achievement of his four-year term.

Mr. Sadat is disturbed by the situation in Lebanon. He has been careful to apportion blame equally between Syria and Israel over the missile crisis, but having no voice in Arab counsels, he can talk only to the Israelis.

The Egyptian President has worked hard to break down the "vicious circle," as he calls it, of hate and bitterness dogging Arab-Israeli relations. Mr. Sadat's standing with the Israeli electorate is proof that he personally has been able to break that circle.

The Israeli Premier is likely to seek Egyptian assistance in persuading Syria to remove its missiles from Lebanon, or, failing that, to win assurances from the President that the peace process will not be adversely affected if Israel feels it has no option but to launch a military strike against the missiles.

On the peacekeeping force due to take over in Sinai after the final Israeli withdrawal next year, they will try to resolve the lingering technical details about its mandate, composition and size, and the possible use by the force of some of the Israeli military and civilian installations in the peninsula.

Until Israel returns the rest of Sinai in March next year, Mr Sadat's hand are tied. Egyptian Ministers are now saying that the restoration of the whole of Sinai to Egypt will be a "symbol of stability" for the region.

President Sadat

'Everywhere h s troubles but in Syria we have order'

BY ANTHONY McDERMOTT, RECENTLY IN DAMASCUS

THE SHERATON HOTEL in Damascus was the venue for what must be Syria's society event of the year—the wedding party given by Mr Abdel-Halim Khaddam, the Foreign Minister, for his daughter.

Security was predictably tight. Some hours before, fit young men in sweaters and flared trousers — standard plain clothes — could be seen standing in rows at military ease receiving last-minute instructions before taking up positions around the hotel.

The cream of Damascene society arrived, some ladies elegantly dressed, others less so —a twinkling orange and silver tight lame creation worn by an older lady who should have known better sticks in the mind. Dancing by the pool lasted until after midnight.

Syria does not give the impression of being on the brink of war. Some preventive measures have been taken out of prudence: the civil defence forces have gone on regular exercises; reserves have been partially mobilised; ospitals have been cleared the less ailing; and some d ors have been called up.

President Assad . cool

But Damascus it is very largely a city of s l private shops and busines end, in the older parts, of na w streets through which p Japanese pickups. Business brisk, reflecting the fact th he private sector has remain dominant in many area of the economy, resistant to nearly 20 years of socialist Ba'athist Government. A friend overlooking the city, a mixture of modern blocks, the old *souk* area, fine Islamic buildings, including above all the spacious Ommayad Grand Mosque, and impressively large areas of trees remarked with pride and some selectivity: "Everywhere has troubles — Cairo, Amman and Beirut — but here we have order."

The direction and character of this cool style come directly from President Hafez Assad, Syria's leader for almost 11 years. Editorials and radio commentaries are often strident with constant references to the "Zionist enemy" and "American imperialism." But the hallmark of the reaction to the crisis with Israel over the presence of Sam-6 missiles in the Beqaa Valley of eastern Lebanon, and the character of Mr Assad's negotiations with Mr Philip Habib, President Ronald Reagan's special envoy, have been of quiet determination and tenacious argument.

President Assad is a remarkably cool character. When he speaks, he sits perfectly still, weighing every word. When he acts he never does so in haste. He prepares his ground with the meticulous care of a minesweeper. His biggest single achievement is to have remained in power for well over twice as long as any of his predecessors. He is, above all, a realist who understands both the needs and the limitations of power.

He earned Dr Henry Kissinger's respect for his negotiating techniques and intelligence. And in his reception of Mr Habib he has been without fail courteous. Pictures of the two always show him smiling. But he has been tough throughout. He has needed toughness to get to the top.

Even his critics hold his personal life to be above reproach. This is more than can be said of his brother, Col Rifaat Assad, who has commanded the vital *Saraya Al-Difa* (defence brigades) since he came to power. But, as one observer said: "He has been able to exploit and control Rifaat, with whom he is very close."

Mr Assad is aware of history, his favourite reading matter, and of his role in it, but not on the grandoise scale of Egypt's President Anwar Sadat.

"He wants to be remembered," an associate said, "As the most important leader of Syria since independence in 1946, as the one who has given it the longest period of stability. He wants to be known as the one who gave Syria some international weight outside the Arab world. He wants to be seen as perhaps better than Nasser who, after all, lost wars, while Assad made the Israelis think twice before acting."

In one sense, the crisis with Israel has been a blessing. Syria's isolation had become increasingly apparent. It was due partly to the Egypt-Israel peace treaty, but union with Libya, support for Iran in the Gulf war and the friendship treaty with the Soviet Union all helped to alienate moderate Arabs. But since the crisis, support has been flowing in, even from such arch foes as Iraq. Only Egypt has stood aside.

Part of the change has come from Mr Assad's handling of the crisis. The starting point has been a complete and simple conviction, hard to contradict, that Syria's missiles are defensive and not a threat to Israel. Mr Assad has repeated an unprecedented number of times in recent interviews: "It is not our desire that war break out in the region at this stage. We are not planning to attack Israel."

Indeed, his statements have been a model of consistency and control compared with those of Mr Menahem Begin, the Israeli Prime Minister, prompting one diplomat to observe: "A curious reverse of the usual concept of which side usually does the empty shouting in the Middle East."

Australian telephone dispute delays calls

By Patricia Newby in Canberra

AUSTRALIA'S telecommunications capacity had been reduced by about one third last night as bans imposed by Telecom Australia workers began to bite.

Telecom, and the two unions involved, the Australian Telecommunications Employees Association and the Australian Postal and Telecommunications Union, announced jointly that ten hours of talks had failed to resolve the dispute but that "some progress" had been made.

Talks will resume today on the unions' claim for an 8 per cent pay rise and special allowances for skilled tradesmen.

A ban on the repair and installation of telephones and telesces for the last two days has reduced telephone capacity between Sydney and Melbourne by around 20 per cent and between Brisbane and some cities by 50 per cent. Long delays were being experienced by most interstate and overseas telephone and telex callers.

The unions have agreed not to allow the situation to worsen as long as Telecom does not lay off workers.

A threat by Mr. Ian Sinclair, the Communications Minister, to shut down Telecom if the unions did not lift their bans or if the dispute was not settled soon, was described by the unions as "inflammatory".

The dispute is being seen as a test of the Government's determination to stay within the wage guidelines laid down by the country's centralised pay-fixing authority, the Australian Arbitration Commission.

The Telecom management is believed to be sympathetic to the unions claim that the margins paid for skilled workers have been severely eroded compared with the private sector.

Philippines' surplus

THE PHILIPPINES had a balance of payments surplus of \$60m (£29m) last April in contrast to successive monthly deficits of \$125m in January, \$54m in February and \$9.8m in March, the central bank reported yesterday, Leo Gonzaga reports from Manila.

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AMERICAN NEWS

Fed figures show lowest interventions for 5 years

BY IAN HARGREAVES IN NEW YORK

THE U.S. Government's decision to cut the amount of intervention in the foreign exchange markets has taken rapid effect, according to figures issued yesterday by the New York Federal Reserve.

The bank, which acts as an agent for all U.S. foreign exchange intervention, reported that in the final month of the February to April quarter, after the new policy was announced, there were no U.S. interventions.

Earlier in the quarter, the bank had bought $778.4m of D-Marks as the West German currency plummeted against the dollar. The Fed also sold $74.4m of D-Marks following the assassination attempt on President Reagan in late March.

But these interventions were small enough to make the quarter the lightest for intervention since the November to January quarter of 1975-76.

At the same time as the U.S. authorities were stepping back from the markets, other central banks were intervening vigorously the Fed estimates gross intervention by all central banks at $24bn for the quarter, up from $31bn in the previous quarter.

In spite of the figures, however, it is too early to make a full assessment of what the changes in U.S. policy mean. The U.S authorities would not *be expected to intervene very* strongly in a period of a strengthening dollar and it remains to be seen whether the Administration will stick to its non-interventionist guns in the event of a sustained run on the dollar

The new policy, disclosed early in April but not fully explained until the beginning of May, has already had an effect upon the willingness of the Fed to stabilise the markets in defence of a foreign currency.

In February, before the policy ruling by the Treasury Department, the U.S. intervened on nine of 14 trading days to support the D-Mark.

Mr Scott Pardee, manager of the intervention system at the New York Fed, said he believed that any disappointment among foreign central bankers at the Fed's change of stance was made up for by their support *for the anti-inflationary zeal of* the Administration.

The U.S. authorities would continue, he noted, to intervene in the New York market on behalf of foreign banks, but would intervene on behalf of the U.S. authorities "only when necessary to counter conditions of disorder in the exchange market."

Venezuela likely to get F-16s

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT REAGAN is expected to approve soon the sale of F-16 fighters to Venezuela, which would thus be the first Latin American recipient of this aircraft, officials in Washington said yesterday.

The proposed deal, reported t involve up to 24 jets costing $15m (£7.3m) each, follows the Administration's policy of expanding arms sales as a tool of influence, in contrast to President Carter's attempt to limit such exports.

In the past the U.S. has generally said that it would not be the first to introduce *advanced weapons into regions* like Latin America which are somewhat insulated from the East-West arms race. But the Reagan Administration argues that the insulation disappeared with events in El Salvador and Nicaragua. Thus, it plans to reward Venezuela, which is also a democratic regime and big U.S. oil supplier, for backing the Reagan stance on El Salvador.

At the same time the U.S. has given warning that introduction by the Soviet Union of heavy arms into Central America would be very serious. The State Department said this week that it had unverified reports that Soviet T-55 tanks were being shipped into Nicaragua from Cuba by night.

Mr. Carter sought to cut U.S. arms sales to countries with which the U.S. had no binding treaty commitment by 8 per cent a year. This plan was abandoned when it led to no reciprocal gesture from the Soviet Union, or indeed Britain or France.

The Reagan view is that arms sales are an essential part of foreign policy, as Mr. James Buckley, the State Department official in charge of such sales, made clear last week. In a speech to arms manufacturers, he said that among other changes he had scrapped the Carter Administration's "leprosy letter," which instructed U.S. diplomats abroad not to help U.S. companies to sell arms.

Henceforth, U.S. arms exporters would be afforded the same help and courtesy from U.S. embassies as other American businessmen.

Inquiry into Canada share claim

By Victor Mackie in Ottawa

CANADA'S Minister of Consumer Affairs, Mr André Ouellet, has promised that allegations that top Liberals profited from inside information on the C$1.46bn (£588m) takeover of Petrofina Canada by the Government-owned oil company Petro Canada, will be studied by a joint federal-Ontario-Quebec investigation. The results of that investigation wll be made public, he sad.

The promise came after a tense exchange in the Canadian Commons based on a report published in Tuesday's Toronto Sun newspaper.

Conservative Opposition Members of Parliament pressed Mr Pierre Trudeau, the Prime Minister, to launch an investigation into the charges contained in the press report.

They alleged in the House that several unnamed Cabinet Ministers, a Liberal Senator, his wife and others had purchased shares before the May takeover.

Shares of the Belgian-owned Petrofina Canada had traded for less than C$100 each before the takeover, but Petro Canada paid $120 a share.

Mr. Trudeau rejected the suggestions in the Commons. He added: "I don't read those newspapers which publish garbage."

Mr. Michael Wilson, a Conservative MP, asked the Prime Minister if he could give the Commons firm assurances that no Cabinet Minister made any material profit as a result of insider trading in these shares.

Mr Trudeau replies that the allegations had been referred to the Ontario Securities Commission and he was confident the Commission would be able to give the Opposition Members assurances that no Cabinet Minister was involved.

Filibuster threat over human rights adviser

BY OUR WASHINGTON STAFF

A BATTLE ROYAL seems likely over the nomination of Mr Ernest Lefever to be the U.S. Administration's senior adviser on human rights, and the fight may end with a filibuster by Democrats in the Senate.

Mr Reagan has said he has "not retreated one inch" in his desire to see Mr. Lefever confirmed in the job, despite advice from Senate Republican leaders that the nomination should be withdrawn. White House determination to see the nomination succeed follows its conclusion that Mr. Lefever is not vulnerable to accusations of conflict of interest.

But Mr Lefevre will again have to answer allegations that research by a Washington-based think-tank he headed was substantially influenced by corporate backers when he appears before the Senate Foreign Relations Committee today. Mr Lefever has denied that his institute was anything but independent.

Mr Lefever's chances of winning approval from the Foreign Relations Committee are finely balanced, with liberal Democrats attracting some moderate Republican support in their fight against the hawkish right-winger. The nomination would still go to the Senate floor, even if Mr Lefever lost in committee.

Meanwhile the nomination of Mr Chester Crocker, as Assistant Secretary for African Affairs, is being opposed by the far Right.

Senator Jesse Helms, who has been delaying the full Senate vote, has now offered to release *his "hold" on the nomination* if the Administration agrees to appoint a young conservative of Mr Helms's choice to head the southern Africa sub-section in Mr Crocker's department.

Democrat tipped as next Governor of New Jersey

BY OUR NEW YORK CORRESPONDENT

CONGRESSMAN James Florio, a right-of-centre Democrat, and Mr. Thomas Kean, a once-liberal Republican now backing President Reagan's economic policies, will be the main contenders to become Governor of New Jersey in the November election.

In primaries held on Tuesday, a crowded field of 21 candidates and a rainy day produced a small turnout and no surprises on the Republican front, but surprisingly strong state-wide support for Mr. Florio.

The incumbent Governor, Mr. Brendan Byrne, a liberal Democrat, is barred from seeking a third term by state law, and the candidate he backed, Mr. John Degnan, attracted less than half the votes going to Mr. Florio.

Mr. Florio, who finished fourth in the 1977 Democratic primary, has since established a strong reputation in Washington as a cautious but effective operator in the House of Representatives, to which he was elected in 1974.

His base is in the more thinly-populated part of southern New Jersey and this had been considered a handicap

Mr. Florio polled 81,700 votes, with Mayor Kenneth Gibson, the black civic leader from the town of Newark, running second


Senator Kennedy: fight against reactionaries

Kennedy promise to workers

Senator Edward Kennedy promised yesterday to resist "reactionary attacks" on social security and other social programmes, AP reports from Detroit.

Speaking to a convention of the 455,000-member Amalgamated Clothing Workers' Union, Senator Kennedy predicted that *the Reagan Administration's* proposals for cutting social security would not pass Congress. "We cannot stand by while the new Administration tries to turn back the clock by turning the social security system into a system of social insecurity," he told the 3,000 delegates. The Senator described the Reagan team as the most anti-labour in 50 years.

Canada's trade surplus drops by £149m

CANADA's trade surplus was reduced by C$370m (£149m) from C$494m in March to C$124m in April, according to figures issued by the Government statistics branch yesterday. Victor Mackie reports from Ottawa. The preliminary figures show that on a seasonallyadjusted basis, exports increased 6.6 per cent on C$434m to C$6.9bn, following decreases of 2.8 per cent in March and 3.7 per cent in February. Imports increased more than exports, up 13.3 per cent or C$804m to C$6.8bn, following a 3.3 per cent decline in March

Shuttle cuts

Tight budgets and supply problems have forced the U.S. National Aeronautics and Space Administration to cut from 48 to 33 the number of space shuttle flights planned to take place before the end of 1985, AP reports from Washington. Dr Stanley Weiss, associate administrator of NASA, said yesterday that the substantial decrease in the shuttle programme meant that only 30 operational missions—and three more test flights—would take place in the next four years.

Nuclear speed-up

The U.S. Nuclear Regulatory Commission took a series of technical steps yesterday to speed up licensing of nuclear power plants and to limit the power of citizens to intervene in licensing proceedings, AP reports from Washington.

The four commissioners adopted a final rule to make it easier for summary judgments to be made on motions in cases involving construction permits or operating licences. They also voted unanimously for a proposed rule to limit the number of questions a party could file in an NRC proceeding

Defectors attack CIA

Two Romanian diplomats who defected to the U.S. has accused the Central Intelligence Agency of breaking promises to resettle them in return for secrets about Romania, Reuter reports from Washington. The two are Nicolae Horodinca, 35, formerly Third Secretary at his country's Washington embassy, and Nicola Traian, 32, who held the same rank at the mission in Islamabad.

WORLD TR DE NEWS

CAR CURBS ANNOUNC ENT EXPECTED SOON

Japan 'wil give pledge to Canada'

BY CHARLES SMITH, FAR EAST EDITO OKYO

JAPAN'S Ministry of International Trade and Industry is expected to announce before the end of the week an undertaking to restrain exports of cars to Canada, following a similar undertaking for the U.S. market announced on May 1.

The formula adopted for Canada will be a promise not to increase car exports in fiscal year 1981 (the period running from April 1981 to March 1982) by more than 10 per cent of the number of cars actually shipped in calendar year 1980.

Japan exported 158,000 cars to Canada last year so it will, in effect be committing itself not to export more than 174,00 during fiscal 1981.

The h" in the formula is the a calendar year as the eriod from which to det e exports in the curren l year.

If parison is made betwee 1980 fiscal year and th fiscal year Japan will, it, be committing itself educe exports of cars b nd 5.8 per cent. The re for this is that the numbe cars shipped to Canad the 12 months ending March reached 185,000s—due to a sharp increa exports during the first t months of this calend year. Japan appear be "diverting" to Ca some cars which might normally have been sold to the U.S. during this period, although allegations of "diversion" have been consistently denied.

The settlement of Japan's Canada car problem leaves the EEC as the only importer which is still demanding restraint measures.

Japan has indicated a willingness to cut its exports to Belgium below 1980 levels, but is rejecting demands for a commitment to restrain exports to the EEC market as a whole.

The Japanese point out that three of the remaining four motor manufacturing countries within the EEC (the UK, Italy and France) have already taken steps to limit imports of Japanese cars.

The formula arrived at by Japan for the Canadian market will enable the Japanese side to say that it is limiting its 1981 (fiscal) exports to a "moderate" increase while Canada will be able to interpret the Japanese action as a cut in exports.

This should satisfy both sides in that Canada originally called on Japan to introduce "similar" restraints to those decided upon for the U.S. market while the Japanese side argued that the under*takings made to the U.S. were* unique.

Trio-Kenwoo holds joint venture talks

BY RICHARD C. HANSON IN TOKYO

TRIO-KENWOOD, a leading Japanese maker of audio equipment, said yesterday that it has entered discussions with Thomson-Brandt, of France, on supplying amplifiers and tuners for sale under the Thomson brand.

This would be Trio's first original equipment manufacturing (OEM) tie in Europe, where it estimates it holds a 10 per cent sh f the audio equipment m.

It is ght that the two compan ight further strengthen th ies in other areas, but Tri lined to comment.

Trio provide assistance to a T son subsidiary in Singapo

Two s ago, Trio established a nt in Singapore to manufa amplifiers and tuners xport to the European market.

Japanese companies are thought to dominate the European market for stereos and other audio equipment, either through direct marketing or OEM arrangements. European companies have found it difficult to compete with Japanese quality and costs.

Trio-Kenwood products are sold in Europe under the Kenwood brand, except in the UK, where the Trio name is used.

About 35 per cent of overseas sales — including communications equipment — are to Europe.

● Rank Xerox is to supply its Mitcheldean - produced Xerox 9500 duplicating system to Japanese markets under the terms of a three-year contract, worth £20m.

Swedish pulp price rise postponed

By William Dullforce in Stockholm

SWEDISH PULP exporters have withdrawn the price increase they announced two weeks ago for the third quarter of this year. Instead the price for bleached softwood sulphate pulp will go up by $55 a tonne to $600 (£285) a tonne from October 1.

The Swedes had tried for a $45 rise from July 1 but changed their minds after North American pulp producers stated that they would peg prices for delivery to Western Europe.

The fourth quarter increase has the backing of the Finns. Mr. Torsten Nykopp, managing director of Finncell, the Finnish pulp mills' organisation, confirmed yesterday that his European customers had been informed of the price rise.

The continuing climb in the dollar exchange rate had influenced the decision not to press for a third quarter rise, he said. In Stockholm on Tuesday the dollar rose to over SKr 5 for the first time since 1971.

Another reason for postponing the rise in the pulp price was that paper prices in Western Europe were only just return*ing to acceptable levels* for paper makers, Mr Nykopp said.

Jaguar sales pick up in U.S.

By John Griffiths

SALES of BL's Jaguar range are staging a sharp recovery in the U.S. In the first five months of this year 1,154 have been sold, 40 per cent above the 1980 level. Sales in May were 82 per cent higher than a year ago and the highest since May 1975.

The most popular model in the U.S., the 4.2 XJ 6, retails at $27,500 (£13,095). Although the pound has dropped by nearly 40 cents since the start of the year, Jaguar has not cut its U.S. prices.

When MG was wound up last year, Sir Michael Edwardes, BL's chairman, said it had been losing £900 on each car sold in North America; thus the current slide in sterling can be expected at best to restore some margin of profitability to Jaguar sales.

S mprogetti wins $110m deal

BY J BUXTON IN ROME

SNAMP ETTI, the plant engineri subsidiary of the Italian -owned ENI energy group, won a turnkey contract w $110m (£52.3m) for a ur ant in Trinidad and Tobago. the 12th urea plant contract has won in five months.

The p , with a capacity of 1,620 to s per day, is to be built for the national energy corporation of the Caribbean state.

Snamprogetti has had a remarkable run of success this year in winning contracts for fertiliser plants as well as other industrial plants.

It is to build seven urea plants in a contract valued at about $800m in India, and others in Canada and Mexico. It has also won a contract worth about $250m for oil production platform assembly in Brazil and a L100bn contract for a sugar beet factory *in Tunisia*.

Its performance reflects the success of Italy's plant engineering industry, which in the first three months of this year won L2100bn worth of contracts.

Ai ines' cash flow 'must improve'

BY MI EL DONNE, AEROSPACE CORRESPONDENT, IN PARIS

THE OU OK for the expansion of th world air transport industry optimistic in the long-term. But the immediate need is f a substantial improvement cash flow by the airlines t enable them to finance th xpansion.

This the emerged strongly from ye day's Financial Times con ence in Paris on "Financin World Air Transport Expan n," at which it was also made ar that through the 1980s ther ould be a demand for anythin n excess of $100bn for new eq pment of all kinds.

M. Pierr Giraudet, President of Air F ce and this year's *President the International* Air Trasp t Association drew attentio to he airlines current financial iculties and suggested ta ny return to profitability ould not take place while t airlines were being destroye n the middle of a fares w

This w why the most serious threat t the airline industry was th "deregulation" of internati al air transport. "Is it not hi ime that we faced the reali of the situation, and returned o a realistic organisation of arket conditions."

Mr E. eekman, Senior Vice President (Finance) of KLM Royal Du h Airlines, said that the airli industry expected to see grow during the 1980s at about 5 p cent a year. Borrowings over he period from 1980 to 1990 ight be as high as $140bn. f the cash flow performance of the airlines continued to g behind the growth of revenu , additional external financing ight well be limited and the lines would have to curtain their investment programm s.

Mr Ro an Cruz, chairman and presi nt of Philippine Airlines, told the conference that the developing nations were now a growing force in international aviation. "It is important that their participation in world wide commercial aviation be sustained by means of creative innovations in international aero finance," he said.

M Pierre Pailleret, the vice-president of Sales Finance for Airbus Industrie, said that there had been criticisms that Airbus Industrie's customers were not buying the right aeroplanes but only "the better interest rates." But our policy, he said, "has been, is, and shall be to ignore this."

"We know there is no way to gain confidence and repeat orders from 40 airlines if the product they are buying is not the best."

Mr James T. McMillan, a vice-president of McDonnell Douglas Corporation told the conference that his group believed that air transport growth would continue during the 1980s and that although it would be at a lower percentage rate per annum than in the recent past it would still be very large in terms of numbers of aircraft.

Mr T. A. Ryan, chief executive of Guinness Peat Aviation, told the conference that in the recent past one of the most significant developments in world civil aviation had been the coming together of the major European countries as one community.

Mr H. M. Fall, Chief International Executive of Corporate Finance Services of the National Westminster Bank International Banking Division, said the financing requirements of developing countries, could present some problems unless the export agencies continue to take longer maturities and or guaranteed commercial bank borrowings.

Mr Peter Parsons, Assistant Director of International Corporate Finance for Kleinwort Benson, the merchant bankers, stressed the value of the Eurobond market. He was confident that through the 1980s the specialist banking institutions in the Eurobond market would prove equal to the challenges that the airline industry would make upon them for additional finance for their substantial fleet expansion programmes.

Mr Robert S. Sowter, Managing Director of Airlease International Management, said that in today's economic conditions leasing provided a convenient and economical method of enabling airlines and others to acquire aircraft. Through the 1980s this method would expand.

Mr Donald E. Stingel, director of the United States Export-Import Bank, made it clear that the bank was passing through a difficult time. "Today, Eximbank is simply holding a large number of applications for direct credit or guarantee support because of the lack of a sufficient budget authority and no clear position by the Congress or the Administration as to what the Eximbank is expected to do and what funds it will have to work with."

Bleak forecast for Europe's commercial vehicles

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE WORST is yet to come in European commercial vehicle markets. Those countries which until recently escaped the recession—France, Italy, West Germany—will turn down rapidly and those already hard-hit will continue to decline.

The total commercial vehicle market in the six main Common Market countries is forecast to fall by 14.5 per cent in 1981 from 1.018m to 870,635, according to the Economic Models group.

Van markets, which escaped the downturn last year, will suffer the most. According to the London-based forecasters, light vans of up to two tons gross weight could see a fall of 16 per cent from 313,000 to 262,849 in the six markets.

Medium vans, from 2 to 3.5 tons, are predicted to slump by 14.8 per cent from 467,294 to 398,112.

Trucks over 3.5 tons should experience a 10.7 per cent drop from 234,916 to 209,637 this year.

The Economic Models "Euro Trucks" report provides forecasts of new registrations and the parc (vehicles still on the road) through to 1986 for Belgium, France, Germany, Italy, the Netherlands and the UK with a special section on Spain.

The forecasts cover eight categories of commercial vehicles, including light and

Forecasters point out that the UK commercial vehicle market was hit hardest by recession, reflecting both the comparative severity of the economic downturn and the very heavy sales of trucks witnessed in 1979.

medium vans, light, medium and heavy rigid trucks and artics.

Economic Models predicts that from 1982 and into 1983 demand is expected to grow moderately with the heavier sectors, which entered the recession ahead of the van sectors, leading the recovery.

Demand peaks are forecast not to coincide but at its 1984 level European commercial vehicle demand will not fall far short of its previous 1979 peak of 1.033m.

The forecasters point out that the UK commercial vehicle *market was hit hardest* by recession, reflecting both the comparative severity of the economic downturn and the very heavy sales of trucks witnessed in 1979.

The total market is expected to drop 15.7 per cent this year from 254,498 to 214,547 vehicles.

Economic Models is a little more optimistic than some industry forecasters about the prospects for 1982 because it does not expect the UK economy to stagnate for long at its cyclical trough.

Thus total commercial vehicle sales should rise by 3.5 per cent to 221,965 next year.

However, the UK van market is not expected to recover until 1983, nearly a year after the heavier commercials.

Italy and France are predicted to have the strongest medium-term growth in the EEC markets. New registrations of commercial vehicles in France are forecast to fall by 14.7 per cent to 269,646 this year but to bounce back by 10.3 per cent next year to 297,309.

Sales in Italy could fall 15 per cent to 124,682 in 1981, show a slight increase next year but put on nearly 13 per cent in 1983 to 144,724.

Commercial vehicle demand in West Germany is forecast to drop 13 per cent to 193,295 this year, fall again by 2.2 per cent next year but show an 11.8 per cent recovery to 211,373 in 1983.

"Euro Truck Forecasts"; Economic Models; 30, Old Queen Street, St James's Park, London SW1H 9HP; £350.

NEW REGISTRATIONS: COMMERCIAL VEHICLES

Gross Vehicle Weight (tonnes)	1980	1981	1982	1983	1984
Light vans: 0-2.0	313,000	262,849	276,588	[illegible]2,849	308,872
% change	−4.1	−16.0	5.2	9.5	1.9
Medium vans: 2.01-3.5	467,294	398,112	400,795	[illegible]1,574	456,376
% change	4.0	−14.8	0.7	1[illegible].2	3.4
Light rigids: 3.51-7.50	77,079	69,503	75,743	85,943	84,630
% change	−11.4	−9.8	9.0	13.5	−1.5
Medium rigids: 7.51-15.00	48,628	44,300	49,832	53,341	51,082
% change	−2.1	−8.9	12.5	7.0	−4.2
Heavy trucks: 15.1	109,208	95,270	110,997	122,975	123,364
% change	−9.1	−12.8	16.5	1[illegible].8	0.3
Total market	1,018,310	870,635	915,067	1,007,584	1,023,077
% change	−1.4	−14.5	5.1	1[illegible].1	1.5
Of which — 3.50	780,294	660,962	677,384	744,423	765,048
% change	0.6	−15.3	2.5	[illegible].9	2.8
Of which — 3.51	234,916	209,673	236,973	262,239	258,678
% change	−8.5	−10.7	13.0	10.7	−1.4

Source: Economic Models

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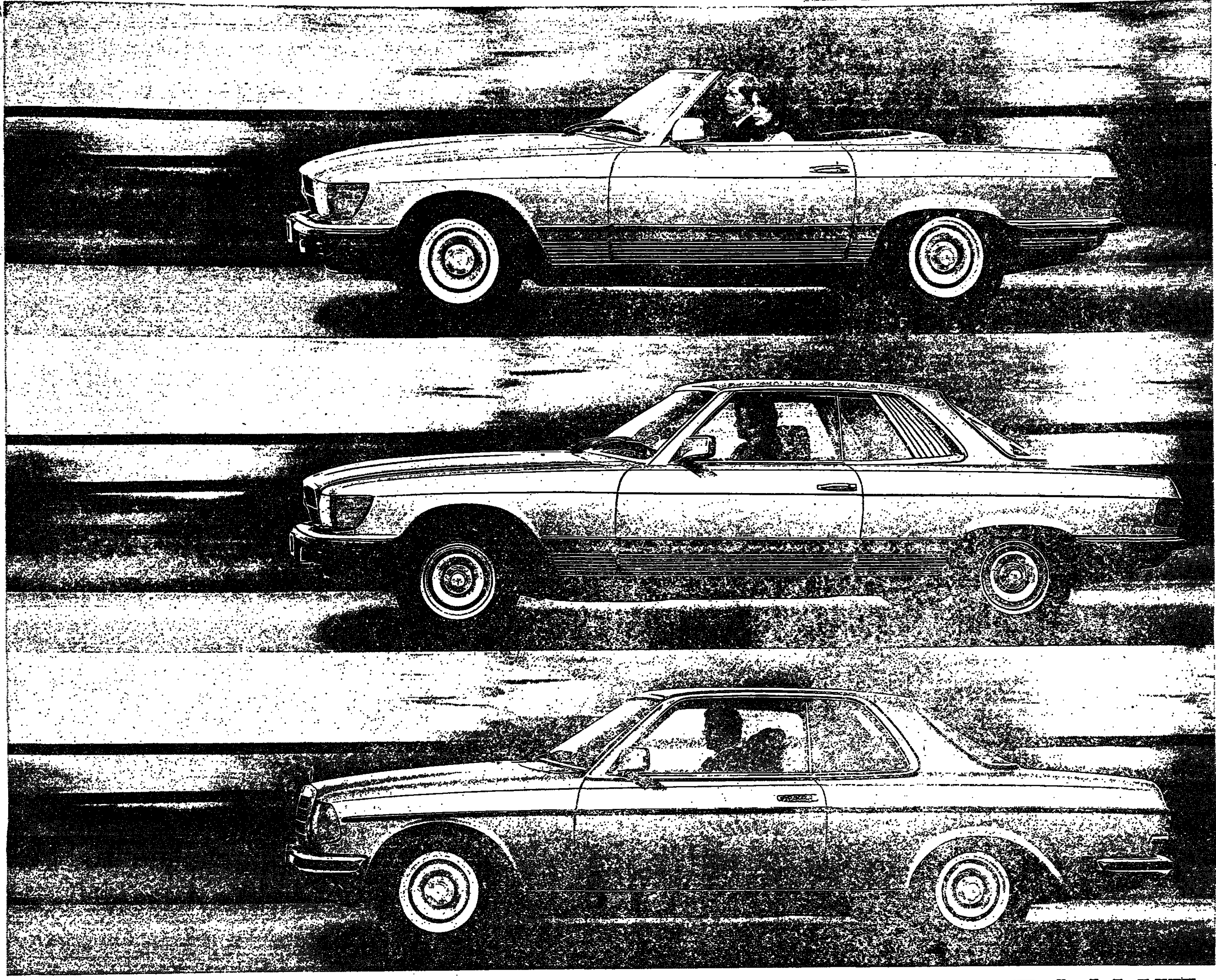


THE ONLY COMPARISON MERCEDES-BENZ NEED MAKE.

The Mercedes-Benz coupés, spiritual descendants of the Fangio and Moss SLR's and gullwings, are a very special breed of car even for Mercedes-Benz.

Comparisons with coupés of other makes or with spartan sports cars and temperamental 'exoticars' have little meaning.

Technical abstracts are shown below for the two-seat SL's (that convert magically from fully-closed coupés into open sports cars) the two-plus-two SLC's and the four-passenger CE coupés.

There's no need to buy these cars 'off the peg.' In fact, they are customarily tailored to each owner's precise wishes in terms of paintwork, upholstery and special equipment.

A Mercedes-Benz coupé is a possession without counterpart elsewhere in the motoring world.

The least reckless supercars.

Your SL or SLC may carry you towards the horizon on unrestricted continental highways at close to 150mph.

Yet you travel in splendid calm, free of the tensions such inordinate performance might be expected to entail.

The luxury that surrounds you is not empty hedonism but a synthesis of features calculated to obviate stress, optimise driving efficiency and defuse aggression.

The spectacular, understated wedge profile of your car has been designed initially not to turn heads but to cleave the wind so quietly that you could listen to Vivaldi whilst cruising effortlessly at the legal speed limit.

Its latest aerodynamic refinements reduce drag by 5% and increase front-end downforce by 30%, furthering economy and stability.

And the light alloy V-8 (which Motor Sport calls "a masterpiece of modern technology") or fuel-injected, twin overhead camshaft, six-cylinder engine under your command is as tireless as it is understressed.

The sanest sophisticates.

Extraordinarily, the svelte and athletic pillarless CE coupé you might alternatively choose, affords four adults the ample interior room and generous luggage space needed for long-distance motoring, be it for business or pleasure.

No other coupé comes close to its combination of elegance, comfort, quietness and intrinsic practicality.

Years from now, your CE's classic form and flawless finish will still excite admiration.

And the 2.8 litre model (with the same high-technology six-cylinder engine as is available in the 280 SL and 280 SLC) or the 2.3 litre model (fuel-injected four-cylinder engine) will carry you smoothly and effortlessly.

Pleasure without pain.

The corollary of performance must always be safety, and your Mercedes-Benz coupé runs *as far ahead of world safety legislation as it does* of everything else on the road.

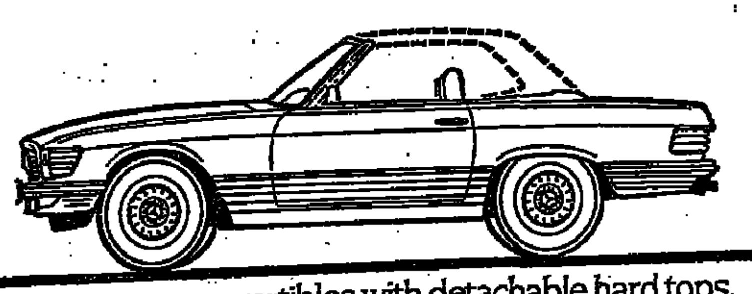
Its massively effective passive safety system apart, your car is designed actively to help you evade accident situations.

Trailing arm independent rear suspension, two wishbones with coils in the front and zero-offset steering hold it on course (even better than the legendary Mercedes-Benz competition cars of past eras). The air you breathe can be changed every 25 seconds.

Optional, electronic ABS anti-lock braking allows you to steer round obstacles while panic-stopping from 100mph in the rain.

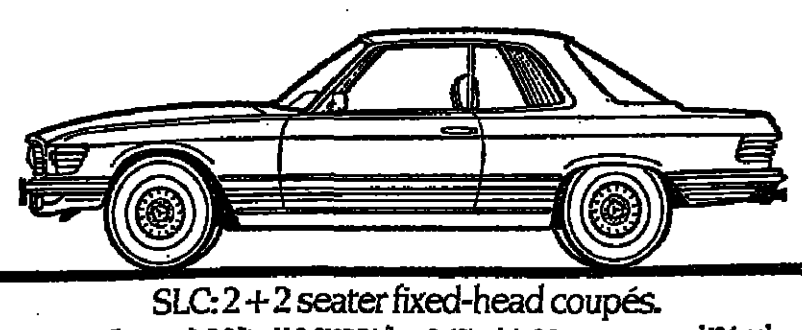
If you would like to drive this special kind of Mercedes-Benz, your local dealer will be happy to arrange for a car to be made available. But, remember, the only decision you need to make is between one Mercedes-Benz coupé and another, and that is a delicious dilemma.

ENGINEERED LIKE NO OTHER CAR IN THE WORLD.



SL: 2-seater convertibles with detachable hard tops.

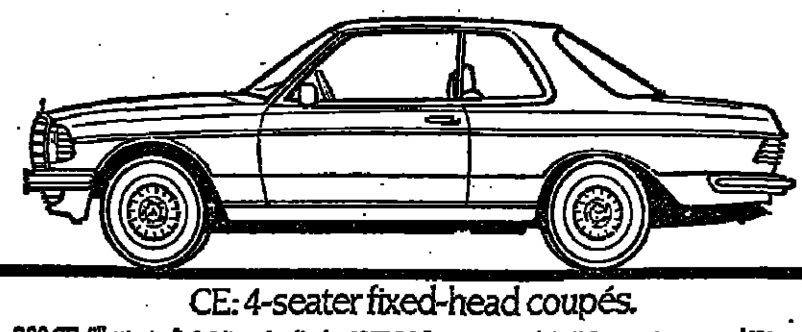
500 SL: 5 litre V-8, 240DIN/h.p., 0-62mph in 7.8 secs., top speed 140mph.
380 SL: (illustrated): 3.8 litre V-8, 218DIN/h.p., 0-62mph in 9.0 secs., top speed 134mph.
280 SL: 2.8 litre 6 cylinder, 185DIN/h.p., 0-62mph in 11.0 secs., top speed 121mph.



SLC: 2 + 2 seater fixed-head coupés.

380 SLC: (illustrated): 3.8 litre V-8, 218DIN/h.p., 0-62mph in 9.0 secs., top speed 134mph.
280 SLC: 2.8 litre 6 cylinder, 185DIN/h.p., 0-62mph in 11.0 secs., top speed 121mph.

Alloy wheels standard on 500 SL, optional extra on all other models.



CE: 4-seater fixed-head coupés.

280 CE: (illustrated): 2.8 litre 6 cylinder, 185DIN/h.p., 0-62mph in 11.8 secs., top speed 121mph.
230 CE: 2.3 litre 4 cylinder, 136DIN/h.p., 0-62mph in 11.5 secs., top speed 112mph (manual).

Where porridge and haddock are eaten in style by U.S. MacAllsorts among the murals

IT IS 6.30 in the morning and you stumble off the overnight sleeper train from London at Edinburgh's Waverley station. Within yards, on the station concourse, is a lift to take you up to breakfast in the North British Hotel, writes Mark Meredith.

A steady stream of overnight train passengers make this sleepy pilgrimage daily to revive their spirits in the North British breakfast room with porridge, haddock and tea.

The North British, made of grey stone, squat, and with a clock tower and blacked with an industrial age worth of grime is one of Edinburgh's landmark hotels along with its sister, the red stone Caledonian Hotel at the other end of Princes Street.

These two hotels and Gleneagles in Tayside, are three of the top Scottish hotels to be partly sold into private ownership by British Transport Hotels. The North British, sitting on top of the station, caters to tourist parties, although these have ben a bit thin lately. The lobby regularly fills up with Americans, from Winsconsin or Arizona, wearing tartan trousers and rediscovering the homeland.

These guests are gently referred to as the "MacAllsorts" by the hotel staff, who seem immune to even the most alarming forms of Scottish dress, donned by U.S. visitors to mark their homecoming.

A British Rail employee is on regular call in the evenings to provide pipe music in full regalia with the evening meal.

The Caledonian or "Caley" if you wish to show you are familiar with Edinburgh, is, like the North British, aiming for the four star guest. It seems just a cut above the North British in luring the businessman or movie star up for the Edinburgh Festival in August. Roy Rogers and Trigger once rode up the main staircase.

The lobby reception area and ballroom have a magnificent set of murals done in the 1950s by two brothers called Nicholson. The ceiling of the front lobby depicts sky and birds.

There is also a landscape in the Versailles Room and a light and airy motif around the main dining hall which have somehow survived the test of time.

Teatime is an obvious high point of the day at the Caley. Scones, tomato sandwiches and tea were being whisked across the blue patterned carpet to blue plush chairs and blue rinse lady citizens exchanging news.

The 210 bed hotel also caters to the non-Scottish guest anxious for a taste of Scotland. The Laird Lounge specialised in selling every make of scotch until demand for the drink started to wilt over the past year. Other alien drinks have been added to the bar.

A Scottish evening in the restaurant will definitely include haggis.

The Caledonian has, like its sister, a link with the railways. All the trains to Glasgow used to leave from what is now the hotel car park. remnants of the Victorian station ironwork architecture can still be seen, and the station ticket office has been turned into a coffee shop which is full every lunch time.

The vast, chateau-like structure of Gleneagles must be one of the world's more spectacular and sumptuous 19th holes. It is a five star hotel with 209 bedrooms, and a bank in the lobby, perhaps for winners of the golf championships played on the King's or Queen's golf courses which form part of the hotel complex.

The guest list reads like Who's Who in professional golf, but the guests are also lured by the spectacular Perthshire scenery and local trout fishing.

First loan made under Government scheme

By John Elliott, Industrial Editor

AN INDUSTRIAL freight business based in Stoke-on-Trent has become the first small company to receive a clearing bank loan under the Department of Industry's new guarantee scheme launched on Monday.

Called ANC, it is to receive a £75,000 loan from its local Barclays Bank branch. This will enable it to expand more quickly than would have been possible otherwise into a country-wide express freight service.

Barclays announced the loan yesterday, well ahead of any others being arranged elsewhere. The Industrial and Commercial Finance Corporation sent its first proposed loans in the £20,000 to £30,000 range—including one for a sports equipment manufacturer — to the Industry Department for vetting yesterday.

But the other main clearing banks—the Midland, National Westminster and Lloyds—have yet to finalise any proposals. All are reporting lots of enquiries.

Under the scheme, loans up to £75,000 are provided by banks for businesses which would otherwise not be able to raise the money because of a lack of personal security or because of high risks involved. The Industry Department underwrites 80 per cent of the loan and the bank covers the rest.

Mr J. Whitby, ANC's company secretary, said yesterday that the loan follows a visit to Barclays in Hanley two or three weeks ago

Although the bank would have advanced some money, it would not have gone as far as a £75,000 loan because of a lack of sufficient personal security. "This money has brought forward our expansion by 12 months at least," said Mr. Whitby.

Cammell Laird wins £61.5m rig order from Canadian group

BY LYNTON McLAIN

CAMMELL LAIRD Shipbuilders, part of the state-owned British Shipbuilders corporation, has won a contract worth £61.5m awarded by a Canadian Company, the biggest export order placed with a British yard in the offshore market.

The contract was placed with the Birkenhead yard by Dome Petroleum of Calgary, Alberta for use in the North Sea, and is the first rig order to be won by Cammell Laird in its attempt to diversify from conventional shipbuilding in the face of a declining market at home and overseas.

It is expected to provide work for at least 800 of the total workforce of 3,300 at Birkenhead to the middle of 1983, when the semi-submersible rig is to be delivered. Work has already started and steel fabrication is expected to start in the autumn.

Without the order for the rig, involving fabrication of 4,000 tons of steel, the most labour-intensive part of shipyard work, Cammell Laird would have faced serious problems with a rapidly emptying order book. The company is building three ships, two Type 42 guided missile destroyers and a fleet auxiliary vessel, all for the Royal Navy.

HMS Liverpool, the first Type 42 to be completed, is expected to be ready for handing over to the Navy early next year, 12 months ahead of the target set by the Ministry of Defence. HMS Edinburgh, a "stretched" Type 42 is expected to be completed in 1984 and the auxiliary vessel will be finished next year.

Mr Alastair Lambie, the managing director of Cammell Laird, said yesterday that the order marked a time for rejoicing but not for relaxing. "One rig order does not secure the future of Birkenhead and the company already has its sights on the next rig order," Mr Lambie said.

Dome Petroleum has contracted the rig to Sovereign Oil and Gas, a group made up of Dow Chemical, the International Energy Company, Dawsea and Dome Petroleum.

Sovereign is expected to use the rig for drilling exploratory wells in the British sector of the North Sea in blocks 219/27 and 219/28N, north of the 62 degrees latitude and blocks 3/16 and 3/11B in the Viking Graben area.

Court told of Burmah crisis talks

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE HIGH COURT heard yesterday of the week of crisis meetings leading up to the offer by the Bank of England of a package of measures to rescue Burmah Oil from potential financial collapse in December, 1974.

The court is being asked by Burmah to set aside the sale to the Bank of its 20.1 per cent holding in BP, which was part of an ammended package accepted by Burmah in January 1975.

Burmah asserts that the Bank, at the insistence of the Government, took advantage of Burmah's financial weakness to get the BP shares at a gross undervalue.

The holding was bought by the Bank for £179m. Its current stock market valuation is nearly £1.2bn.

The Bank denies the price was unfair or that it acted unconscionably and should have to return the shares to Burmah.

Mr Leonard Hoffman, QC, for Burmah, said that by December 20 1974, it had become apparent to Burmahtha t unles it got help, it would almost certainly default on large loan repayments.

On Christmas Eve, the Burmah crisis was discussed by representatives of the Bank, the Treasury and the Department of Energy.

One December 27 the company was told by the Bank that on December 30 rescue proposals would be put to it.

Mr Hoffman said that the Crown had successfully claimed public interest immunity for the records of those discussions on the ground that their disclosure would not be in the public interest. The result was that Burmah did not know what had prompted the Government to take away any particular course of action.

The proposals included terms enabling the company to repay money owing on unsecured loan stock, and a 12-month guarantee of $650m loan agreements.

Burmah was to transfer to the Bank as security the BP shares, the Bank to have full power of sale. It was to transfer to the Government 51 per cent of its interest in the Ninian and Thistle oilfields in the North Sea.

Mr Hoffman said it was clear that Burmah had considerable qualms about whether the package would stave off trouble. It foresaw difficulties with lenders and short-term borrowers not covered by the proposals.

The hearing continues today.

Economic growth better than estimated

By Peter Riddell, Economics Correspondent

BRITAIN'S ECONOMIC performance has been slightly better than at first estimated. An article in the Central Statistical Office's monthly Economic Trends shows that an average downward bias existed in early estimates of economic growth.

For the period 1967-72, on average, the initial expenditure-based estimate underpredicted the latest estimate of year-on-year growth by a full percentage point, but the output-based estimate underpredicted by only a quarter of a percentage point.

Lest anyone hopes there may be a silver lining to the recession, the office warns "there is a clear tendency to underestimate change in either direction, so that the average downward bias in early estimates of economic growth is not to be expected when a downturn in the economy occurs, rather if anything the reverse."

The revisions are largely because fuller information becomes available. The article says "making estimates for the recent past has sometimes been referred to as forecasting the present and, for series where it is particularly difficult or costly to obtain reliable information soon after the event, this is a reasonably accurate description of what occurs."

These revisions have long been suspect. They have been discussed in particular by Hoare Govett, the City stockbrokers.

The article says that as continuous efforts are made to improve individual components of the Gross Domestic Product figures, estimates for more recent periods incorporate some allowances for any expected bias in early estimates.

"We would hope on average therefore to see some improvement in the historical record of revisisions, though it is unlikely there will ever be a time when we can afford to be complacent."

Economic Trends, No. 331, May 1981. S.O., £8.50.

Warning over cuts in apprenticeships

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

THE ENGINEERING industry will face a severe shortage of skills in two to three years' time as a result of the sharp fall in the number of apprentices whom employers are planning to recruit this autumn, says the Engineering Industry Training Board.

Lord Scanlon, its chairman, warned yesterday that the industry will have to face "calamitous" consequences unless it avoids the shortfall. The board estimates that employers should recruit 20,000 apprentices this year to meet their future needs — whereas the latest indications are that the industry plans to take on only some 12,000.

The board proposes to make up the shortfall by providing training facilities of its own, and paying employers to take an more apprentices. This would cost an estimated £20m-£24m, which the board wants to be made available through the Manpower Services Commission (MSC).

An apprentice intake of 12,000 in the engineering industry would represent an all-time low. It compares with 17,200 recruitments in 1980 and 20,900 in 1979, and a previous low of 15,000 in 1972.

Making its estimates of the level of skilled manpower that will be needed by the industry, the board takes into account the downward trend of demand for craftsmen.

Demand for technicians, however, is expected to be rising over the next few years—and the number of apprenticeships offered is not keeping pace.

The board says that this will lead to a severe shortage of technicians by 1983, and that it would be possible to meet future needs only by re-employing some of those made redundant in 1980 and 1981. The same is likely to happen for craftsmen in some areas of the country and some sectors of the industry. It is unlikely, says the board, that enough of those made redundant will be available in three years' time.

The problems arising from the low intake this year will be made worse by the fact that employers are increasingly making redundant people who are still undergoing training. The board has mounted a rescue operation for some of them with the aid of a £1m grant from the MSC and £500,000 from its own resources.

Since September 1980, 1,939 redundant apprentices have been helped, employment with continued training having been found for 832.

Oil men want to sell gas

BY SUE CAMERON, CHEMICALS CORRESPONDENT

MAJOR OIL companies are keen to break the monopoly held by the British Gas Corporation by selling gas coming through the UK's planned £2.7bn North Sea gas gathering system direct to industrial customers, Mr. Robert Horton, managing director of BP Chemicals, said yesterday.

Mr. Horton, speaking at a Society of Chemical Industry meeting in London, said such a move would be possible only if the gas gathering system was financed and built on an entrepreneurial basis by North Sea producers.

He added that if the oil companies took the financial risks of building the new line, they would want a higher rate of return than that required if the gas gathering system were constructed and run on a public utility basis.

But later he said that UK manufacturers could well enjoy cheaper gas prices if the oil companies were allowed to build the new line and sell their gas direct to industrial users.

Chemical companies want to use gas liquids from the new pipeline to make ethylene, the so-called building block of the petrochemical industry. But Mr Horton stressed that with the current surplus of production capacity in Europe, there was "no case for any ethylene plant to be built in Europe at present."

Beecham allowed to launch antibiotic

By Sue Cameron, Chemicals Correspondent

BEECHAM, the UK-based drug company has finally gained permission to launch Augmentin, its antibiotic drug, in Britain for use against a wide range of infections from tonsilitis to bronchial pneumonia.

The go-ahead follows months of speculation that the government back Committee on the Safety of Medicines might recommend severe restrictions on the use of Augmentin.

But Beecham, which expects the drug to be on of its most successful medicines, said yesterday that it had been given a product licence which would enable it to sell Augmentin for use against "all the bacterial infections for which it is effective."

The group refused to say whether Augmentin had been approved for use in treating children. It claimed that the disclosure of such details would reveal too much of its planned marketing strategy for the drug.

But last night industry experts said they understood that Augmentin had definitely not been approved for giving to children.

Beecham also refused to say how much the new drug had cost to develop—largely on the grounds that it was difficult to apportion pharmaceutical research cost accurately. But observers estimate that Beecham has probably spent between £15m and £20m on Augmentin.

The drug has still to be approved for sale in other countries. But industry experts reckon that once it is available worldwide it could have total sales worth between £100m and £150m a year.

The experts say that while a turnover of this order would not break any records, it would still make Augmentin "a very important drug."

Beecham's announcement yesterday came on the eve of its latest results.

MEPC accused of sacking Jew to win Arab deal

BY MAURICE SAMUELSON

MEPC, Britain's second largest property company, was accused yesterday of dismissing a Jewish senior executive in order to smooth negotiations on an important financial deal with the Kuwaitis.

The allegations were made at an industrial tribunal in London on behalf of Mr. Anthony Simmons, who was made redundant last September seven years after being appointed assistant company secretary.

The accusation is rejected by MEPC, whose company secretary, Mr. Alan Crowe, said no consideration had been given to Mr Simmons's religious affiliations and denied that the company had come under any pressure to discriminate against Jewish employees.

He said Mr Simmons, aged 44, had been dismissed from his £14,500 a year position because of the company's declining need for an in-house solicitor and its preference to use outside legal advice for non-conveyancing work.

Mr Simmons, who was previously assistant company secretary of IBM (UK), is claiming that his dismissal was unfair and in contravention of the Race Relations Act. He is seeking either reinstatement or damages. The company says it has already made net payments to him of £29,000, including a former company car and housing loan facilities.

Mr Simmons says his dismissal was connected with MEPC's negotiations with the Kuwait International Investment Company to underwrite a $35m convertible bond issue which MEPC floated last year with the help of Morgan Grenfell, the merchant bank.

He had been at meetings where other company officials had asked Morgan Grenfell, the lead bank managing the loan, about the possible implications of the Arab boycott regarding Jewish employees or the participation of so-called Jewish banks.

The tribunal resumes today.

Clock prototype unsold after doubts over date

SALEROOM

BY ANTONY THORNCROFT

CHRISTIE'S had a mixed experience yesterday with its sale of clocks and scientific instruments. The main item, a prototype of the modern marine chronometer by John Arnold, was unsold ta £30,000, probably because of pre-sale doubts about its date of origin which had been pushed back from about 1775 to late in the 18th century, but other lots fetched good prices.

A previously unrecorded striking bracket clock by Thomas Tompion was over forecast at £26,000, plus 11.5 per cent in buyer's premium and VAT, and Bobinet paid £5,000, almost double the estimate, for a gold calendar, lever perpetuelle montre à tac attributed to Cole. A gold and enamel early verge watch by Edward East, which was said to be given by King Charles I to Bishop Juxon on the scaffold in 1649, went to a private collector for the same sum.

Sotheby's yesterday started its fast sale service whereby it dispose of routine items rapidly, paying the vendors without delay. A picture sale in its Conduit Street extension made £14,000

In the main auction rooms in Bond Street, a Japanese sale totalled £110,015, with a top price of £13,000 for a Sharaku print of the actor Ichikawa; an Old Master auction realised £157,280, with a still life of flowers catalogued Hardine making £5,600.

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Diminishing role makes Navy most vulnerable target for government cuts

Bridget Bloom continues a series on Britain's defences with an investigation of the Royal Navy

THE ARK ROYAL may be sunk before she ever sees active service—and the dilemma surrounding Britain's newest aircraft carrier epitomises the uncertainties facing the whole Navy.

A defence review now being carried out by Mr. John Nott, the Defence Secretary, will determine whether there is a future for the £220m ship, launched only on Tuesday. If persistent rumours that the Navy is to take the brunt of cuts over the next decade turn out to be true the Ark Royal and its two sister ships will have little hope of survival. Much more of the senior service may go too.

The Ark Royal and the public protest about possible cuts by Mr. Keith Speed, the former Navy minister (which was followed so swiftly by his dismissal from the Government and by the announcement that separate posts of Ministers for the Navy, Army and RAF were being abolished, have given the Navy a higher profile than it might otherwise have had.

Mr. Speed's public protest about possible cuts, which was followed so swiftly by his dismissal and by the Government's announcement that it was abolishing the separate post of ministers for the Navy, Army and RAF, has given the Navy a much higher profile than it might otherwise have had. The outcry may yet have an impact: obviously Mr. Speed hopes that it will.

In many ways, the Navy seems the most obvious target for cuts although it is not the most expensive of Britain's armed services: it takes just under 14 per cent of this year's total defence budget of £12.3bn. It has fewer men in uniform (74,000, including the Royal Marines) than either the army (160,000) or the RAF (93,000) and although it employs almost 74,000 civilians (more than either of the other services) in its four dockyards and allied establishments, it's inevitably expensive warships, weapons systems and other equipment still cost less than those of the RAF (£1.6bn against £2.1bn).

Furthermore its protagonists point out that unlike the Army (and to a lesser extent the RAF) the Navy is not a great user of foreign exchange: The Rhine Army, for example, costs nearly £700m a year in foreign exchange.

There seem to be two main reasons why the Navy is first in the firing line now. The most fundamental relates to its role. Despite heavy pruning over the past 20 years, which has brought the Navy firmly back west of Suez, many people believe that its role is still too broadly conceived. They claim that the tasks expected of it are too varied, and that it can and should be cut back and made to cost less.

This largely military assessment links with a key political point: the British Government appears to believe that such a cut would have a less damaging impact on the western alliance and on Britain's relationships with the U.S. and in particular with its European partners than equivalent surgery applied to either the Rhine Army or to the RAF.

Defence officials describe four "pillars" which form the basis of Britain's defence overall effort, the first three of which involve a key contribution from the Navy. They are:

- the British independent nuclear deterrent
- the defence of the eastern atlantic
- defence of the home base
- the defence of Nato's central European front.

Even the fourth of these is seen as involving the Navy in a reinforcement role.

The independent nuclear deterrent is operated mainly by the Navy and is carried on four Polaris submarines. This will be the subject of a separate article in this series, but two general points stand out.

First, the Government's apparently immutable decision to replace Polaris with the new Trident submarine and missile system over the next decade or so appears to be one of the main reasons why the current defence review is now necessary; the £5bn to £6bn which Trident will cost means savings must be made elsewhere. Second, the fact that the Navy will also operate Trident is an additional reason why it is now the prime target for cuts to prune its other functions.

The defence of the Eastern Atlantic and of the home base are seen as the Navy's main wartime role apart from Polaris. In the former (see map) it is stressed that Britain provides 70 per cent of Nato's ready forces in the area.

Effectively, the U.S. provides the rest, because France, with a considerably smaller navy than Britain's, is not integrated into Nato's military structure. The Portuguese, German, Dutch, Norwegian and Italian navies are respectively dedicated to the south Atlantic, the Channel, North Sea and Baltic, and the Mediterranean.

The defence of the home base involves the Navy in coastal protection and patrols. This is seen as particularly important because the UK is a forward base for Nato's supreme command.

Britain's pretensions to a major global role for the Navy were abandoned after the defence review and the sterling crisis of 1966-67 ("we now know our role in the world," said the then Prime Minister, Mr. Harold Wilson) — though the boast continues to be made that Britain has the third largest navy in the world (after those of the U.S. and the Soviet Union).

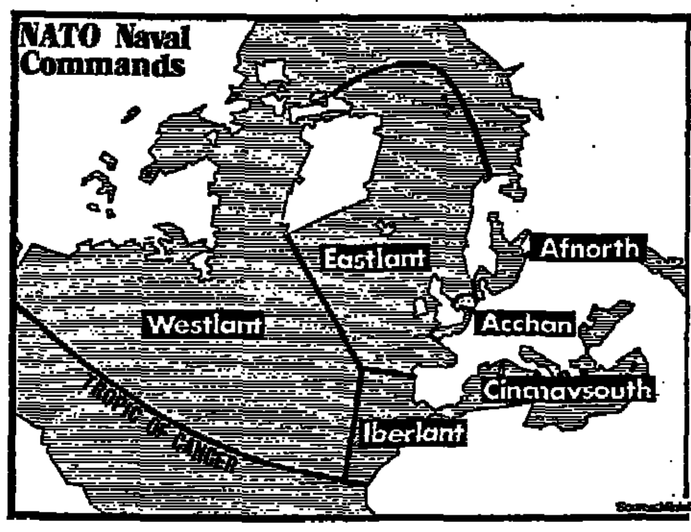
Much is made too of the Navy's continuing "out-of-area" operations. Elements of the force regularly undertake exercises and visits in the Indian Ocean area and the Far East. The Navy helps to maintain a British presence in the Falkland Islands, Belize, Gibraltar and Hong Kong, and for the past year or so there has been a standing patrol force in the Gulf of Oman which requires four frigates and support ships.

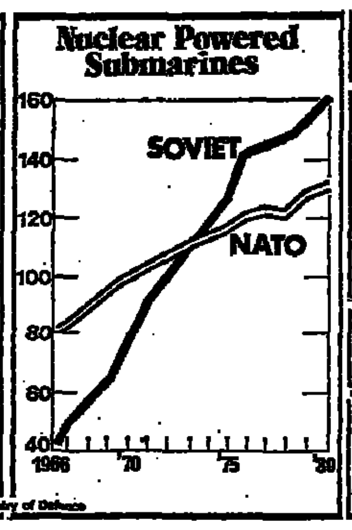
Those who oppose any diminution of the Navy's European role field an impressive array of arguments, which begin with the remarkable expansion in the Soviet navy during the past 20 years (see illustration) into a force capable of competing with the U.S. navy worldwide.

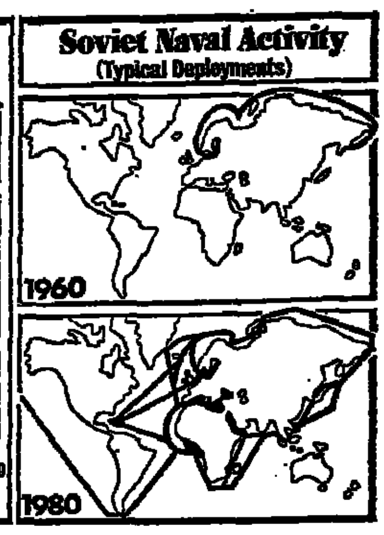
The U.S. defence department complains that in the face of this Soviet threat, it has a "one-and-a-half ocean navy for a three-ocean commitment." The Navy's protagonists insist that the British force is now needed more than ever to plug that gap.

Navy officials insist that to fulfill its two vital wartime tasks in the East Atlantic, the Navy must have flexibility. The tasks are:

- To combat the Soviet submarine threat (see illustration) especially at the "choke points" between Iceland, Greenland and the UK and in the south-west approaches to the UK.
- To protect the sea lanes for the reinforcement of Europe from the U.S. and for the continuation of trade.







The Navy maintains that it now has a balanced fleet which is "optimised" for its anti-submarine warfare (ASW) role. It also recognises that its insistence on flexibility costs money. The new Invincible class of carriers, although they lack major strike capacity, have an anti-aircraft as well as an ASW and command and control capability: but at more than £200m each they would probably be "mothballed" in any cuts. The frigates, capable of detecting submarines and using helicopters as weapon carriers, can also fight ships: the Type 22 costs about £120m a ship. Nuclear-powered submarines, which many believe are the key vessels, partly because they alone can penetrate beyond the choke-points, cost £175m each.

Some of these arguments, notably the need for the Navy's ASW role, are accepted by those who would cut the Navy's spending. Accusations that Mr. Nott's axe could reduce the Navy to little more than a coastal defence force seem to illustrate the emotion in the current debate rather than hard fact.

But critics question whether naval planners have really "shed the lumber of our imperial past" as one naval historian put it; they also question the premise on which one of the Navy's two major roles is based: that a future war would last long enough for heavy reinforcements to be sent from the U.S. by sea.

The debate goes on. But if the Navy's case is rejected and, as it has been suggested, between £6bn and £8bn were to be cut from its budget over the next decade, where would the axe fall?

It is said that at least 25 of the Navy's 65 main surface warships would be scrapped prematurely. The Ark Royal, the 19,000 tonne replacement aircraft carrier which was launched on Tuesday by the Queen Mother, would be "mothballed" before completion. So perhaps would its two sister ships, the Invincible and the Illustrious, although Mr. Nott suggested at least one could have an out-of-area role.

The Navy's uniformed personnel could be reduced by as much as 30,000, while about 25,000 civilian jobs could be lost with the closure of the dockyards at Chatham, Kent and Portsmouth, Hampshire and other civilian-manned shore establishments. The Fleet Air Arm and the Marines would both be severely cut, according to reports.

Meanwhile, Mr. Nott continues to insist that no decision has yet been taken and that he does not expect any public announcement on cuts will be made before late July.

Strength of Royal Navy

MAJOR SHIPS (figures in brackets are ship being built, on order or planned): Carriers 2 (2), destroyers 14 (6), frigates 47 (5), Polaris submarines 4 (4 or 5), nuclear-powered subs. 12 (6), conventional subs. 16.

ADDITIONALLY: 34 mine countermeasure vessels, 9 offshore and 15 other patrol vessels, 3 support ships, 9 training ships, 12 survey vessel, an ice patrol ship, and 23 other support and supply vessels belonging to the Royal Fleet Auxiliary.

PERSONNEL: Navy 65,800, Royal Marines 7,800, of whom 5,800 were abroad on January 1, 1981.

Surge predicted in co-op mergers

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

MANY MORE mergers between the 180 retail co-operative societies are likely during the next year as a result of the tough trading conditions. The surge of mergers is likely to follow behind-the-scenes talks between societies at the Co-operative Union congress, which finished in Edinburgh yesterday.

Mr. Lloyd Wilkinson, the union's general-secretary said he expected "the rate of mergers to be at least double over the next 12 months." The total could be even greater if moves to unify the 50 independent Scottish retail societies are successful.

Last year eight mergers took place and six have already taken place this year. Further mergers will go alongside measures being considered at the top levels of the movement to help retail societies through the recession.

Such measures include a committee to advise retail societies on the options available, as well as making more capital finance available to invest in store developments.

The movement appears to have postponed further talks on a radical restructuring until the problems of the recession are overcome. The long-term problem still facing the movement is the reluctance of many small societies to forgo their traditional independence and merge to form more viable trading groups. The Co-operative Union says in its annual report that many mergers only take place when there is no other choice.

The pressure on the retail societies was highlighted by statistics released at yesterday's closing session. Total retail turnover last year rose by 12.5 per cent in value to £3.9bn, an increase that meant little real volume growth because of inflation. The total of co-operative members has fallen below 10m for the first time since the Second World War. There were 9.9m members last year, compared to 10.4m in the previous year.

Figures to be published shortly are expected to show a slight decline in the Co-op's share of total retail trade as well as a significant fall in profits.

Ford says it cannot afford to increase pensions

BY KENNETH GOODING

FORD of Britain has told its 14,000 pensioners it cannot afford to top up their payments this year.

The company made ex gratia payments in 1977 and 1979 to help offset the effect of inflation on pensions. These contributions raised pensions in 1979 by up to 30 per cent.

There was widespread expectation among pensioners of a further contribution this year. But Mr Paul Roots, director industrial relations, said: "The level of pensions is kept under regular review but I have to say that in view of the depressed state of our industry and the tough competitive position it is most unlikely that any increase will be forthcoming in the near future."

Mr. Roots reminded the pensioners that top-up payments are made on an ex gratia basis and are funded entirely by the company, and not from pension fund cash which is reserved to meet current and future pension commitments on a long-term basis.

The company said yesterday that the problem of dealing with the ravages of inflation on pension payments at a time of extreme recession was one that affected many UK companies. Ford's pension fund, administered by an independent organisation, was among the best to be found in Britain. Ford said it contributed about three times as much to the fund as its employees.

Lord Barnetson left £481,019

LORD BARNETSON, who died intestate in March, left £483,898 gross, £481,019 net.

The chairman of Thames Television and United Newspapers when he died, aged 63, he was a former chairman of the Press Association, (1967-68), Reuters (1968-79), the Commonwealth Press Union council (1972-77) and The Observer (1976-80). He lived at Crowborough, East Sussex.

Bupa opens £4.75m hospital in Manchester

Financial Times Reporter

THE OPENING in Manchester of Britain's largest and most sophisticated private hospital outside of London is the start of a building programme by Bupa, the private medical insurance organisation, which will involve the construction of four new hospitals a year for at least the next three years.

Mr. Derek Damerell, chief executive of Bupa, said yesterday that the organisation's building programme included hospitals at Bushey and Harpenden in Hertfordshire, the Wirral on Merseyside, and Cardiff.

The Manchester Hospital has been built at a cost of £4.75m. Each bed is costing about £50,000. Ultimately, it will have 140 beds.

Although escalating building costs are likely to put up the price per bed to about £100,000 for the other new hospitals, Bupa claims that this figure compares favourably with National Health Service costs.

The new hospital incorporates many innovations in hospital design and technology. Its three air-conditioned operating theatres are able to deal with major surgery. There is a separate day surgery unit for minor operations.

Back-up facilities include X-ray, pathology and physiotherapy departments. Each private room has colour television, telephone and bathroom.

The swing to private medicine is exemplified by Bupa's grow-national membership which was up by more than 30 per cent last year and now covers nearly 3m people. In the Manchester area the growth was 42 per cent.

● Bupa tried to buy London's famous Westminster Hospital and medical school, Mr Damerell said. Had the deal been clinched, it would have become the first British private medical group to run a teaching hospital and train its own doctors and nurses.

Had the hospital been forced to close under plans to re-organise London's medical schools it would have been a tragedy, he said. But the hospital was reprieved and the deal came to nothing.

Energy costs 'squeezing industry'

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

BRITAIN'S ENERGY intensive industries have become less competitive internationally in the past five months because of the rising prices of oil products and electricity.

The iron and steel industries, paper and board, chemicals and foundries, which are particularly energy intensive, have suffered most.

This was reported to the National Economic Development Council yesterday by Mr Geoffrey Chandler, its director-general.

Earlier this year Mr Chandler headed a task force aimed at assessing how UK energy price rises have affected British industry abroad.

The Confederation of British Industry said yesterday it was unhappy with the Government's response in the Budget to the task force's findings and was particularly worried about the impact of heavy oil duty which it wanted cut.

Mr Chandler said the disparity in prices of 30 to 50 per cent for foundry coke had not been eased in any way. Ministers agreed to examine this problem.

Mr Chandler's task force is being reconvened and will report back to the council in November.

Detailed reports on prices presented by Mr. Chandler were:

● Fuel oil: The UK compared quite well with continental Europe at the beginning of the year, but heavy fuel oil prices, tax included, are once again above France, Germany and Italy by a margin of about 8-10 per cent. Even excluding fuel oil duty, the UK is the most expensive country in this group.

● Diesel fuel: Has been between 5 per cent and 15 per cent cheaper for the UK's European competitors since the second quarter of 1980 through to the first quarter of 1981. This disparity has widened as a result of the increased duty introduced in the Budget, even though the increase will be halved in August.

● Gas: Despite the freezing of gas prices for renewals and tariff increases on the Continent, consuming industries report there are still substantial disparities. Anxiety is already being expressed about what will happen when the present price freeze ends in December.

● Electricity: The flexibility allowed by Government to the electricity industry is now working itself through the system for large energy users. But the disparities found by the task force may have widened since March because the major German utility has raised its tariff in local currency terms by slightly less than the increase in the UK tariff and the French have up till now held their prices.

Financing of nationalised industries attacked

John Elliott reports on the debate over public sector investment policy.

GOVERNMENT POLICIES on the financing of nationalised industries were attacked in four papers debated at yesterday's meeting of the National Economic Development Council.

Basic Treasury arguments about the way increased public sector investment can drain funds from the private sector were criticised in principle by the National Economic Development Office, while the Nationalised Industries Chairman's Group demanded substantial changes in financing arrangements.

The Confederation of British Industry said the Government should interfere less in state industry decisions and should seek practical solutions to problems of providing increased investment funds.

The TUC demanded more wide-ranging reforms including tripartite planning and the creation of a publicly owned National Investment Bank. It also wanted the industries to have greater financial freedom and increased investment.

Treasury ministers have argued that increased investment by nationalised corporations leads to a higher public sector borrowing requirement. This then reduces the availability of overall investment funds or causes interest rates to rise, thus checking private sector activity or "crowding out" private sector investment.

"The extent of these effects is still uncertain," said the NEDO paper. "The view that an increase in public sector investment at the present time would cause an offsetting fall in private sector investment in the UK finds little empirical support."

Equally, there was little evidence that cuts in public sector investment would result in correspondingly higher private investment. Cuts would therefore probably lead to higher unemployment.

The NEDO paper also said there was "cause for considerable concern over the constraints on investment programmes arising from the present system of financial control."

The existing system of external financing limits meant projects that would provide profitable and important business for the private sector both as supplier and customer, might be halted.

The chairmen's group's paper started by implicitly criticising the Government for "the prolonged debate about ownership in the public sector industries which has proved barren and divisive."

A more constructive approach, they said, would be to accept that the public and private sector were "closely linked and mutually dependent partners within a mixed economy."

The Government's financing policies "cut across and disrupt this fruitful interdependence." Their investment controls inhibited the flow of orders for capital goods which could help to load capacity, improve profitability and provide jobs throughout the private sector.

"The Corporations are in no way arguing that they should be given carte blanche to go ahead with whatever investment programmes they wish." They accepted the need for "sensible controls" and that public sector investment should offer a profitability level comparable to that expected by similar private sector businesses.

But these were "undue limitations" which meant they were being stopped from investing in profitable and desirable projects.

A study being carried out by the chairman had indicated that "moderate and sensible" changes could be made in three areas "without bringing into question any central feature of the Government's economic policies and practices."

The first would enlarge the factors taken into account when investment levels were decided. They would include the corporation's medium term financial targets, ministers' powers to authorise investment programmes annually, and pricing policies.

Second, external financing limits might be broken down into component parts to see whether all of them needed to be linked to the public sector borrowing requirement.

Third, joint ventures should be encouraged with the private sector without ministers insisting, for political reasons, that the corporations handed over part of the control of their enterprises in privatisation programmes.

The interdependence of the private and public sectors as suppliers and customers of each other was stressed in the papers from both the NEDO and the chairmen.

It was estimated that the sales by nationalised industries to the private sector approached £10.5bn a year, 10 per cent of all private sector purchases.

In turn the private sector sold goods and services worth £11bn to the nationalised industries in 1979-80.

N Sea oil supply 13% above demand

By Martin Dickson, Energy Correspondent

FALLING consumption and rising North Sea output meant the UK produced 13 per cent more oil than it needed for self-sufficiency in the first four months of this year.

Latest figures from the Energy Department show that Britain produced 29.4m tonnes of oil from January to April — more than 1.8m barrels a day. This was 10.6 per cent higher than the 26.5m tonnes produced in the same period of 1980.

However, the UK used only 25.9m tonnes of oil products in the four months to April —a drop of nearly 14 per cent on 1980's 30.1m tonnes.

Production totalled 7.2m tonnes in January, 6.8m tonnes in February and 7.8m tonnes in March but dropped slightly in April to 7.4m tonnes.

Overall, the UK used 6 per cent less energy in the three months from February to April than in the same period last year. Coal consumption was down 6.4 per cent and oil consumption 11.5 per cent.

Shorter wait for driving tests

LEARNER drivers now have to wait an average 15 weeks for a driving test compared to 20 weeks a year ago, according to a Royal Automobile Club survey.

The waiting times still vary considerably according to the region. The longest delays are still in London where drivers may have to wait up to 35 weeks, while a test centre in Bishop Auckland reported a waiting period of only one week.

In Scotland, the average wait is 14 weeks, against 24 a year ago, and in the north of England four and a half weeks, compared with about 15 weeks last year.

Beer production down 8 per cent

BEER production continued its decline in April with a fall of 8.2 per cent compared to the same month last year. Overall production in the first decreased by 6.9 per cent over four months of 1981 has the same period in 1980.

The Brewers' Society said beer production in April was 3.04m bulk barrels. This compares to an April 1980 total of 3.3m. Total production in the first four months of 1981 was 11.98m bulk barrels.

The brewing industry says that an upturn is unlikely before next year and that sales will decline this year by more than 3 per cent to 39.3m bulk barrels, against sales of 40.7m bulk barrels last year.

Airport development

IPSWICH Borough Council may redevelop part of Ipswich Airport for housing, industry and recreation, with the prospect of 1,200 jobs. A report published yesterday by the borough planning policies working group envisaged 10 acres of shops, including a superstore, 120 acres of housing, 40 acres of industrial development and 40 acres for recreational use.

60 Lincoln jobs lost

English Electric Valves of Lincoln is to make between 60 and 70 redundant after a fall in orders, particularly in the marine radar field. The firm also complained of foreign competition and the effects of the recession.

170 made redundant

FISHER CONTROLS of Rochester, Kent, is to dismiss about 170, a third of its staff, because of the recession. The company makes control valves.

Coach services boom

ABOUT 200 new coach services will be in operation this summer and in many cases fares have been halved, as a result of the 1980 Transport Act Mr Norman Fowler, the Transport Secretary, said yesterday. The Act lifted restrictions on inter-city coach services and introduced free competition.

CBI survey shows decline in Welsh output has slowed

BY ROBIN REEVES

THE FALL in Welsh manufacturing output slowed down in the first four months of the year, according to the Confederation of British Industry's Welsh quarterly industrial trends survey, published for the first time today.

However, only 14 per cent of companies were more optimistic over business prospects in April than in January. A sizable majority, 61 per cent, indicated no change and 24 per cent reported less optimism.

The slowdown in the decline in output was consistent with information suggesting less rapid destocking and a less marked decline in total orders.

Even so, Welsh manufacturing industry's view of the four months after April effectively pointed to no change in the level of intake of orders in volume terms.

Some 84 per cent of participants in the survey were working "below a satisfactory full rate of operation," and nine out of 10 companies attributed their below capacity working to shortage of demand.

None of the other factors likely to limit output were of great importance in the four-month period ahead.

On labour, the Welsh survey results do imply a slightly more obvious easing in companies' forecasts of falling manufacturing employment than in the UK as a whole. Nevertheless, expected "labour shedding" remains extensive by comparison with 1978 and 1979.

In common with UK manufacturing generally it also suggests a decline in investment spending, of about 15 per cent between 1980 and 1981, with a further year-on-year fall. However, the trough in the quarterly path of investment could occur in the course of the next 12 months.

The Welsh survey suggests that, in contrast to the rest of the UK, reductions in export prices have been common. But optimism about export prospects over the next 12 months weakened slightly more in April than in January.

The confederation intends to publish a separate trends survey for Wales on a regular basis from now on. Separate results have also been extracted from the main CBI survey of the UK since January 1978 to build up a series of results and intepret the trends.

Autumn rate levy warning

LEADERS of Labour-controlled local authorities have warned that supplementary rate demands would probably have to be made in the autumn because of the Government's latest moves against council overspending.

Earlier this week Mr Michael Heseltine, Environment Secretary, announced that £450m of grants are to be withheld from English councils that have overspent unless they submit reduced budgets by the end of next month.

Mr Dennis Pettitt, Nottinghamshire County Council's new Labour leader, said: "The choice is simple. Either we cut services or ask for a supplementary rate increase.

"We fought our recent election campaign on improving services because they have been trimmed to the bone, so it seems certain we will be going for a supplementary rate in the autumn."

Mr Pettitt said his council would have to save an extra £8m by the end of July because of Mr Heseltine's crackdown.

The Labour-controlled Association of Metropolitan Authorities is today to discuss Mr Heseltine's proposed cuts.

Mr Ken Livingstone, leader of the controlling Labour group on the Greater London Council warned Mr Heseltine against bringing in legislation to stop supplementary rate increases. The Minister hinted on Tuesday that he might act to stop councils asking for supplementary rates.

Fire damages aluminium plant

A FIRE which swept through a major production bay at Falkirk's British Aluminium plant yesterday morning is thought to have caused £8m worth of damage to stock.

The aluminium was seriously damaged by water as firemen fought for an hour to control the blaze. Metal stocks, electrical cable and roofing were also damaged.

The fire, thought to have started in a portable cabin, spread to a nearby annealing works. Hundreds of employees fled when it started. But no one was injured and production continued later.

British aluminium would not confirm the £8m damage figure

MPs seek more flexible regional policy

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

A GROUP of MPs told the Government yesterday that it should be more flexible about its regional policy—especially when the economy pulls out of the recession.

The recommendation is the principal conclusion of the Committee of Public Accounts which investigated the effectiveness of regional industrial policy in a series of meetings in March and April.

The MPs took evidence from senior officials at the Department of Industry, the main department responsible for regional policy, the Welsh Office, the Scottish Economic Planning Department and the Treasury as well as Sir Douglas Henley, Comptroller and Auditor General.

They were told that regional aid in Britain in the decade to 1980-81 amounted to almost £5bn. This had been spent on regional development grants, selective financial assistance, on the development of industrial estates and the work of the Welsh and Scottish Development Agencies.

Despite this outlay, the Department of Industry told the committee it believed that policy had been more effective in the period up to 1971 than subsequently, although there was evidence of "a degree of success" in the 10 years to 1976.

The MPs were concerned that some areas previously considered prosperous, especially the West Midlands, were coming under severe economic pressure, especially from rising unemployment. Yet the Government was responding slowly.

"While some potential expansion of business had in the past been diverted to the assisted areas from areas such as the West Midlands," it reports, "in the current recession serious employment problems had developed in those areas also.

"This raised the question whether regional policy should be more flexible and should be used to assist new areas of serious unemployment."

The Department of Industry has argued before the committee that it was wrong to make changes in the status of an area unless a permanent or semi-permanent structural change in employment had occurred.

It was not convinced this was the case in the West Midlands.

The department was also conscious that when Sir Keith Joseph, Industry Secretary, had redrawn the map of regional assistance in July 1979, just after the Conservatives came to power, the intention was that the new guidelines should last through the life of this Parliament.

The committee says, however, that the effect of the recession on employment and investment in the non-assisted areas — largely the East and West Midlands, the South East, East Anglia and the rural North—raises question about the fairness of the distribution of national resources.

Fifth Report from the Committee of Public Accounts, session 1980-81. Measuring the Effectiveness of Regional Industrial Policy. House of Commons Paper 206. SO; £4.40

Trouser ban on nurses to stay

A BAN on nurses wearing trousers with their uniform dresses was upheld "with regret" by the Employment Appeal Tribunal in London yesterday. It allowed an appeal by Kingston and Richmond Health Authority in Surrey against an industrial tribunal ruling that they had unwittingly discriminated against Miss Tajwinder Kaur, aged 18, of Swindon, Wiltshire, under the Race Relations Act.

The authority had withdrawn its offer of a training place for British-born Miss Kaur, who is a Sikh, after she insisted she would have to wear trousers with her dress because of her religion.

Mr Justice Browne-Wilkinson, the court chairman, said it must be justifiable for the authority to insist that it would not take a trainee who would not be prepared to comply with the statutory requirements on uniform once she had qualified.

COMPANY NOTICES

Notice to Holders of European Depositary Receipts (EDRs) in UNY CO., LTD.

Further to our notice of March 26, 1981, EDR holders are informed that Uny Co., Ltd. has paid a dividend to holders of record February 20, 1981. The cash dividend payable is Yen 15.00 per Common Stock of Yen 50.00 per share. Pursuant to Clause 8 of the Deposit Agreement the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars.

EDR holders may now present Coupon No. 2 for payment to the undermentioned agents.

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

Arab Republic of Egypt	Finland	Romania
Australia	France	Singapore
Belgium	Ireland	Spain
Brazil	Italy	Sweden
Canada	Malaysia	Switzerland
Czechoslovakia	The Netherlands	United Kingdom
Denmark	New Zealand	United States of America
Federal Republic of Germany	Norway	Zambia
	Republic of Korea	

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after September 20, 1981.

Amounts payable in respect of current dividends:—

Coupon No. 2 EDR denomination	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax.
10,000 shares	U.S.$667.85	U.S.$567.67	U.S.$534.28

Depositary: Citibank, N.A. 336 Strand, London, WC2R 1HB.

Agent: Citibank (Luxembourg) S.A. 16 Avenue Marie Therese.

June 4, 1981.

PUBLIC NOTICES

BARNSLEY METROPOLITAN BOROUGH COUNCIL
£2,750,000 bills issued on 3rd June 1981 at 11 17/32% to mature 2nd September 1981. Total applications were 14,500,000 and there are 4,950,000 bills outstanding.

CUMBRIA COUNTY COUNCIL
£2,000,000 Bills offered 28th May 1981 for payment 29th May 1981 due 28th August 1981. £1½m at 11 7/16%. £½m at 11 15/32%. Application totalled £9½m. No other Bills outstanding.

EXETER CITY COUNCIL BILLS
£300,000 bills issued 3rd June 1981 due 2nd September 1981 at 11 17/32%. Applications totalled £1,500,000. £300,000 bills are outstanding.

NORTHAMPTON BOROUGH COUNCIL
£1,040,000 bills issued on 3rd June 1981 at 11 17/32% to mature 2nd September 1981. Total applications were 8,320,000 and these are the only bills outstanding.

ST. HELENS BOROUGH COUNCIL BILLS
Issued 2nd June 1981, £1.75m Bills at 11 17/32% due 1st September 1981. Applications £14m. Total outstanding £6¼.

LEGAL NOTICE

IN THE MATTER OF THE COMPANIES ACT 1948
and
IN THE MATTER OF
H.D. TRANSPORT (INTERNATIONAL) LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 299 of the Companies Act 1948 that a General Meeting of the Members of the above named Company will be held at 1, Wardrobe Place, Carter Lane, London EC4V 5AJ on Thursday, 18th June 1981 at 10.15 a.m. to be followed at 10.30 a.m. by a General Meeting of the Creditors for the purpose of receiving an account of the Liquidators' Acts and Dealings and of the conduct of the Winding-up to date.

Dated this 22nd day of May 1981.

M. G. V. RADFORD, B. MILLS
Joint Liquidators

CLUBS

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St. 734 0557.

GARGOYLE, 69, Dean Street, London, W1. NEW EROTIC FLOORSHOWS "CLOSE ENCOUNTERS" 11-3.30 am. Shows at Midnight and 1 am. Mon.-Fri. Closed Saturdays. 01-437 6455.

PERSONAL

WEDNESDAY, 10 JUNE, 4.30 pm. London School of Hygiene, Keppel Street, WC1. Discussion on the Rayner Review of the Government Statistical Service introduced by Sir John Boreham. Further information Royal Statistical Society.

CONFERENCES

Perkins given pay action ultimatum

Financial Times Reporter

THE Perkins Diesel Engine company at Peterborough faces a strike next week by its 6,000 production workers unless it comes up with an improved pay offer.

The ultimatum came from shop stewards yesterday after a mass meeting rejected the company's pay offer of £5 a week now and a further £1 a week from November.

They are demanding an extra £25 a week after rejecting the company's request for a six-month pay freeze to help it in its present financial difficulties.

Perkins is the world's leading manufacturer of diesel-engines and 85 per cent of its output is exported. However, together with the parent group, Massey-Ferguson, it has been hit badly in recent months by a slump in world sales.

Mr. George Gilmour, the works convenor, told the mass meeting yesterday that the latest pay offer was "a ridiculous insult."

He said: "Prior to any so-called recession Massey-Ferguson was calling poverty then. But now they seem to be blaming it on the world recession. Massey-Ferguson was in financial trouble prior to that and the reason is bad decision-making and over-investment abroad.

"The principle the company has adopted now is that it can make blunders and spend money and then go back to the workforce and ask them to sacrifice their wage claim. That principle will not be accepted."

The meeting voted to take industrial action unless the company made an improved offer within seven day. Perkins has warned that industrial action will damage its competitive position and standing in world markets.

Port peace bid

TALKS RESUME today, at the request of the Liverpool Port Employers Association, on the annual pay award for the 3,500 dockers on the Mersey which should have been implemented on May 1.

T heemployers are offering an £8-a-week increase and £4 extra *on bonus and allowance* payments. The union wants a 13 per cent rise across-the-board.

TUC may hold mass rally of jobless youth

BY CHRISTIAN TYLER, LABOUR EDITOR

THE TUC now looks certain to *organise a mass rally and lobby* of Parliament in the autumn by young unemployed workers and school-leavers.

Officials at Congress House yesterday declared the month-long "people's march for jobs" which ended on Monday a big success.

They agreed at a meeting with TUC regional secretaries to recommend the youth demonstration to next week's economic committee and then the general council at the end of the month.

The *idea* is to maintain the political and publicity momentum generaed by the mach — an event which was launched by regional councils and was reluctantly endorsed at the start by Congress House.

The TUC is also now anxious to keep itself at the head of political protest, even where non-unionists are involved, to prevent others, like the Communist Party or the various Trotskyist groups, taking over.

To attract the young—and a rally of about 100,000 is being *suggested—the rally may take* the form of a day-long festival in London. The TUC might have to meet some of the cost of transporting people to the capital.

Yesterday's meeting was seen as marking a considerable departure for the TUC, which is traditionally reluctant to get involved in obviously political —and especially non-union— protest.

It is also being suggested that the puresent system of running the "campaign for economic *and social advance" should be* broadened by setting up a committee comprising regional officials, the general council and Congress House departments.

Other initiatives planned by the TUC include an appeal today for funds for a network of centres for the unemployed, amjor study on unemployment among immigrants—a "black workers' charter," a conference on the employment of disabled people, and an "education alliance."

A drive for major public in*vestment in the construction* industry is also being planned.

Ideas for another big unemployment march were briefly discussed yesterday. But the feeling was that it was too soon to repeat the exercise, and that on the next occasion another format might be tried.

No date has been set for the youth lobby. It will probably not take place—assuming it is *approved by the general council* —until Parliament reassmbles after the summer recess.

Civil servants claim strikes have halted £5bn in taxes

BY PHILIP BASSETT, LABOUR STAFF

STRIKE ACTION over pay by key computer staff at revenue-collection centres has halted nearly £5bn of revenue du to the Government, the Council of Civil Service Unions claimed yesterday.

The unions claimed the Treasury had already spent an "irrecoverable" *£70m* in interest charges—eqivalent to an extra 2 per cent on the current pay offer. The Treasury, though it could not put a firm figure on its interest payments, said they were considerably lower than the unions had suggested.

Mr. Tony Christopher, general secretary of the Inland Revenue Staff Federation, said: "Costs incurred so far make a nonsense of the Government's claim that the cash limit cannot be increased."

The Cabinet is expected today to consider the unions' efforts to force an increase in the 7 per cent offered for this year. Some indication, perhaps, of the likelihood of the Government maintaining its firm line was given yesterday by Mr. Barney Hayhoe, Civil Service Minister.

Some union leaders were looking at the Prime Minister's last Commons reply on Civil Service pay, in which she said the amount available within the cash limit was "some 7 per cent"—and seeking for significance in the qualification. But Mr Mayhoe, in reply to Commons' questions said: "The Government has made it absolutely clear right from the start that the 6 per cent cash limit will not be breached so far as civil service pay is concerned."

He refused to make any detailed remarks on pay for fear of putting at risk the current round of talks

The Council of Civil Service Unions said that since the strikes began on March 9, £3,655m (40 per cent of the total) of Pay As You Earn and National Insurance revenue had been halted, together with £1,305m (40 per cent) of Value Added Tax revenue—a total of £4,960m.

The unions said taxes stopped after two months of the present financial year amounted to £3,295m, or about 30 per cent of the central government borrowing requirement

● The journal of the Chartered Institute of Public Finance and Accountancy is entitled Public Money and not Public Pay as incorrectly reported in Tuesday's Financial Times.

Ambulancemen win union backing for strike plans

BY PAULINE CLARK, LABOUR STAFF

THE TRANSPORT and General Workers' Union (TGWU) yesterday gave formal executive backing to plans for early industrial action by ambulancemen over pay. It is the first union to do so.

It is one of four unions representing Britain's 18,000 ambulancemen. They have given majority backing in recent union branch ballots and consultation exercises to proposals for action in protest at the Government's 6 per cent public sector pay limit.

Union leaders decided on Tuesday night to embark on a programme of 24-hour periods of national industrial action. Executive approval for the plan is expected to be given by the remaining three unions next week. A date may be fixed then for the first round of stoppages.

The ambulancemen — 10,000 of whom are represented by the National Union of Public Employees and about 7,000 by the Confederation of Health Service Employees—are seeking recognition as a third arm of the country's emergency service alongside police and firemen.

They are demanding an increase which would maintain the value of last year's comparability award to ambulancemen, which loosely linked their earnings with those paid elsewhere in the emergency services.

So far, however, management has stood firm on an offer of a £5.94 increase on basic rates of about £76.60 a week. This offer is made in response to a *claim for at least £15.40 more.*

Phone repair plan approved

FINAL UNION approval was given yesterday to reorganisation and grading arrangements in British Telecom's repair service. It guarantees at least 200 new jobs and perhaps as many as 1,000.

The Post Office Engineering Union conference at Blackpool voted 46,465 to 26,169 to support arrangements already approved by the Union of Communication Workers.

British Telecom wants 75 *per cent of calls* answered within 25 seconds, and there will be a 24-hour service for receiving reports of out-of-order telephones.

Print unions in merger talks

MERGER TALKS between three print unions — the National Graphical Association, the National Union of Journalists and the Society of Lithographic Artistes Designers and Engravers — open in Scarborough today.

The two print craft unions have already agreed in principle to merge, though a final decision depends on a ballot of the NGA. The merger is expected to be completed by early next year.

Slade, which is holding its conference in Scarborough this week, voted last week by 2—1 majority in favour of a merger with the NGA.

Bank pay claim for arbitration

THE BANKING, Insurance and Finance Union took its pay claim for staff in Grades 5 to 15 at Wililams and Glyn's to arbitration yesterday.

Offer rejected

ABOUT 22,000 non-teaching university clerical staff, mostly members of the National and Local Government Officers' Association, yesterday rejected a 6 per cent offer from the Central Council for Non-Teaching Staffs, Clerical and Related Committee.

Public 'at risk' in hotels

BY OUR LABOUR STAFF

THE Hotel and Catering Union said yesterday that low standards of cleanliness and poor working conditions "downstairs" *in some* UK hotels often placed the public at as much risk as hotel workers.

The union, set up a year ago as a mainly autonomous section of the General and Municipal Workers Union, was launching a campaign to clean up hotels.

Mr David Gee, the 30,000-strong union's national health and safety officer, said the union had a clear message for the public "upstairs." It was: "You will pay for the risks 'downstairs' with your purse, your health or both."

The campaign saw the launching of a guide to catering standards, called Risks a la Carte. The guide claims food poisoning had increased by 25 per cent in spite of greater vigilance by hygiene inspectors and that only 1 per cent of 300 kitchens surveyed had adequate cleaning procedures.

It also states there are six restaurant fires every 24 hours and that an average accident costs an employer £1,400.

Mr Fred Cooper, the union's national officer, said it was set up to protect workers against low wages, long hours and "lousy" conditions. "Some hotels have made a lot of improvements recently but others have a long way to go."

Government proves its free market virility

By John Hunt,

THE AUTHORS of The Thatcher Papers, the recently published spoof book, claimed to have uncovered a government plot to seal off Scotland with an electric fence and turn it into a giant safari park for the benefit of tourists.

Things haven't reached that pass yet, but Scottish MPs seemed to be having a tough time of it in the Commons yesterday.

The excitement started with an announcement by Mr Norman Fowler, Transport Secretary, that he had approved plans by British Rail ot sell off the pride of its Scottish hotels—the Gleneagles, site of the famous golf course, and the North British and Caledonian hotels in Edinburgh.

All have five-star ratings despite the fact that a waiter at the North British once dropped a fried egg into a political journalists's beer during an election campaign.

BR is keeping a third shareholding in the hotels, but this did not assuage the anger of Labour MPs. Cheering Tories, however, obviously took it as a sign that the Government was proving its free-market virility.

Mr John Prescott, a Labour spokesman, had dark suspicions that BR was getting rid of the hotels at a knockdown price of £4m, and would lose £1.5m a year as a result. He thought it was a clear case for investigation by the Public Accounts Committee.

But Mr Fowler brushed aside these allegations as completely unworthy. He said the proposals had been initiated by the British Rail board and there was no question of the Government having pushed the board into the deal.

Mr Dennis Skinner (Lab., Balsover), had his own idiosyncratic notion about BR's financial difficulties and the growth of the Intercity motor coach trade, which is robbing the railways of passengers.

He suggested that vast numbers of demonstrators protesting against unemployment had been travelling by coach. Only last Sunday he had passed one hundred coaches packed with demonstrators and this sort of thing would continue until the Government was thrown out of office. As Mr Fowler tartly observed, this must rank as one of Mr Skinner's sillier observations.

The House then moved on to consider one of those peculiar Scottish legal grievances, as Mr Dennis Canavan, (Lab., Stirlingshire West), put forward a Bill to abolish warrant sales and control the activities of Sheriff officers.

Never a man for understatement Mr Canavan drew a hair raising picture of these gentlemen descending on poor folk for the recovery of debts and selling their homes over their heads.

There were cries of anger from the Labour benches as Mr Canavan described how the Sheriff's men dragged three children from their beds at 4.30 am on a child custody order. Three young women had their flats entered by officers who used a hammer and chisel to knock down the door only to discover that it was the landlord who was in debt.

There was some unsympathetic laughter when Mr Canavan described how on this occasion a newspaper photographer was prodded in the stomach with a screwdriver.

His Bill was approved without opposition despite some ribald Labour suggestions that it should be put to the vote to expose the large number of Tory MPs who had departed to watch the Derby.

As Disraeli once observed the jollities fluctuate and Derby and Ascot weeks are "always a perilous time for the Tories."

Powell predicts backing for re-emigration

BY IVOR OWEN

GROWING SUPPORT for the "re-emigration" of Britain's new Commonwealth and ethnic population was forecast by Mr Enoch Powell, Ulster Unionist MP for Down South, in the Commons last night.

He warned of the likelihood of large scale conflict in London and other centres as unemployment and social deprivation in inner urban areas creates growing racial tensions.

Mr Powell called on the Government to change the provisions of the British Nationality Bill so as to avoid dual nationality automatically being conferred on children born in Britain who are entitled through their parents to citizenship of another country.

He cited the results of a poll —conducted by the Wolverhampton Express and Star in the Handsworth area of Birmingham in the week of the Brixton riots—as evidence that some young black people would favour voluntary repatriation.

Mr Powell contended that what had been discovered by the poll reflected what was in the minds of hundreds of thousands of people in Britain who looked with apprehension to what was portended for the future from what was already known in demographic terms.

Dealing with likely developments in London, Mr Powell maintained that there was a likelihood that tension and fears would lead to conflict which was damaging and dangerous

He envisaged a situation in which the population of inner London included 50 per cent of people with now Commonwealth and ethnic minority backgrounds, with the proportion falling to around 25 per cent on the boundaries of the greater London area.

Mr Powell insisted that the prospect of conflict in London could not be said to be inherently irrational or improbable — it might be described as disagreeable, or in the term recently used by the Prime Minister, "frightening."

He prophesied that if this situation came about attempts would be made to avoid and diminish its impact by reducing the size of the new Commonwealth ethnic population by re-emigration in various forms.

He told Labour MPs who indicated their disagreement that if they believed this ideal was restricted to "an occasional politician here and there on the fringe" they were greatly mistaken.

Mr. Powell emphasised that the change he wanted made in the Bill would not result in any person being made stateless.

Figures 'put Healey ahead of Benn'

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

SUPPORTERS OF Mr. Denis Healey in Labour's deputy leadership contest yesterday tried to halt the momentum behind Mr. Tony Benn's campaign by producing figures to show that, contrary to all the headlines about Mr. Benn's victories from the unions, Mr. Healey is at present well ahead of either of his rivals.

Mr. Healey, they said had a big lead over Mr. Benn in the trade union section with nearly 2m trade union votes already committed to him.

By contrast, they claimed, Mr. Benn only had 400,000 in the bag. Ultimately, they forecast, Mr. Healey could get more than half the votes in the trade union section, which will comprise 40 per cent of the new electoral college, with another 1m union votes likely to go his way.

The fact that Mr. Healey's camp should find it necessary to produce evidence of their candidate's successes so far is indicative of how edgy they are about the bandwagon effect of Mr. Benn's highly-publicised campaign.

Even though most MPs would still regard Mr. Healey as the likely winner, an increasing number of stories have appeared over the past few weeks suggesting that Mr Benn is now set to win. This is despite the fact that his successes have largely been among the smaller unions, which have far fewer votes in the electoral college than the big unions—like APEX and the AUEW engineering section—which have already gone to Mr Healey.

MR DENIS HEALEY is adopting the same tactic as Mr Tony Benn, his challenger for the deputy leadership of the Labour Party, by addressing a fringe meeting at a trade union conference next week, Christian Tyler writes.

Mr Healey will appear at a meeting organised by Solidarity, the centre-right grouping of MPs, at the annual conference in Brighton of the General and Municipal Workers Union.

Although the GMWU is expected to back Mr Healey, he has not been invited to Brighton by the union's general secretary, Mr David Basnett. Neither has Mr Benn, who continues his circuit of union conferences with a meeting the following night.

The official speaker will be Mr Michael Foot, leader of the Party, who takes the conference platform on Wednesday morning.

Yesterday the GMWU executive published an emergency motion for debate on unemployment, calling for a three-part strategy: collective bargaining to effect work sharing, education and propaganda, with support for the unemployed, and political initiatives through the Labour Party, including "a jointly agreed programme between the Government and the unions on measures to control inflation."

The union's executive has produced a report on defence policy for adoption by the delegates that tries to steer a line down the middle of the controversy between multilateral and unilateral disarmament.

It says there is "no obvious immediate political or strategic advantage in Britain totally and unilaterally renouncing or destroying our existing nuclear weapons." But the option should remain as a possible gesture for multilateral disarmament talks based on SALT 2.

The UK should stay in Nato, but defence expenditure should be frozen in real terms.

The proposed Trident programme should be scrapped and U.S. Cruise missiles should not be based on British soil. U.S. nuclear bases in Britain should be "severely limited and gradually run down."

The GMWU leaders have broadly maintained the union's traditional multilateral disarmament posture while conceding virtually every other demand of the anti-nuclear lobby that is growing rapidly in the UK and other West European countries.

Nevertheless, Mr Healey's supporters are worried that if the idea of a victory for Mr Benn gains credibility, he could sway some waverers to support him.

The figures produced yesterday were part of a new bid by Mr Healey's supporters to counter Mr. Benn's challenge by stepping up their own campaign.

They are currently collecting signatures for his nomination papers and are hoping that they will be signed by at least 100 MPs—more than five times as many as have come out for Mr Benn. Constituency parties and unions are also being approached for support.

At the same time, Mr. Healey is planning a series of speeches on various different subjects, like defence and Europe. He is also, like Mr Benn, to continue his tour of the union conferences, including the Transport and General Workers Union's.

Although Mr John Silkin, the third candidate in the contest, is confident of getting the TGWU vote in the first round, Mr Healey will be trying to do all he can to stop them going to Mr Benn in the second round if Mr Silkin drops out.

In their fact sheet produced yesterday, Mr Healey's supporters also pointed out that, according to a recent survey among trade unionists, Mr Healey was twice as popular as Mr Benn.

Meanwhile, Mr Benn's supporters are continuing their campaign to win union votes. Yesterday they were collecting signatures for an advertisement to be placed in this week's issue of Labour Weekly.

Defence chiefs see Thatcher about review

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

THE DEFENCE chiefs took the highly unusual step yesterday of going to see the Prime Minister to put on record their views on the defence review.

The meeting, which lasted 1½ hours, was said to be "friendly," but the fact that the defence chiefs asked to see Mrs Thatcher again would indicate that the services are still very worried about some aspects of the review.

The review, begun by Mr John Nott shortly after taking over as Defence Secretary, involves the most fundamental examination of Britain's defences for more than 10 years, and could result in a cut-back in some of Britain's longstanding commitments.

It has already resulted in the resignation of Mr Keith Speed, the Navy Minister, who publicly warned of the dangers to Britain of cutting back on the Navy.

Some of the Navy chiefs are still said to be very unhappy about some options being considered. This is causing some strains in Mr. Nott's relations with the Navyy which, since Mrs Thatcher's reshuffle, no longer has a Minister of its own to put its case.

At yesterday's meeting, which was attended by Lord Carrington, Foreign Secretary, as well as Mr Nott, all aspects of the review were considered. In particular, the defence chiefs are believed to have wanted to point out the implications of some of the options, such as a cut-back in Britain's army on the Rhine, for Britain's wider foreign policy commitments.

The defence chiefs have long had the right to ask to see the Prime Minister, but they have rarely used it in the past, and it is tended to be regarded as a last resort. Yesterday's meeting, however, was the second in six months and comes at a time when the defence lobby is very apprehensive indeed about the outcome of the review.

Mr Nott is due to present the conclusions of his review to the Cabinet's overseas committee within the next few weeks. The defence chiefs, who asked to see Mrs Thatcher before Mr Speed's resignation, clearly wanted to make their views known before Ministers came to a collective decision on the review.

Mrs Thatcher is believed to have emphasised that no decision had yet been taken, but she is also understood to have made it clear that she backs Mr Nott's general belief in the need to take a fresh look at all Britain's commitments.

The officers of the Conservative's backbench defence committee are to see Mrs Thatcher again before the review is completed. But, judging by a meeting last night of the officers of the committee, Mrs Thatcher seems to have got away with abolishing the service ministries without too much trouble from her backbenchers.

Shore calls for boost in public sector capital investment

BY ROBIN PAULEY

THE BRITISH economy should be givenu a desperately needed stimulus by increasing public sector capital investment programmes, Mr Peter Shore, Shadow Chancellor, said yesterday.

He told the Chartered Institute of Public Finance and Accountancy conference in Bournemouth that capital programmes of nationalised industries, local and central government should all be expanded quickly to help Britain to break out of the "vicious spiral of decline".

His list of investment projects included:

- electrification of the railways,
- faster expansion of British Telecom,
- an advanced housing programme,
- expanded hospital and prison building,
- new investment in water and sewerage systems,
- advancing road programmes,
- increased capital spending on the inner cities.

These would utilise men and materials in the construction and building industries, which were now underused, and in which so many companies faced disaster.

An advantage of such public investment programmes and of nationalised industry investment schemes was that the foreign content was almost negligible so there were no balance of payments consequences.

There was no evidence that Britain would not be able to finance the increased borrowing that such a programme of expansion would initially require. There was also no evidence that a large PSBR caused inflation, Mr Shore said.

In virtually all the years since public borrowing had been a substantial feature of Britain's economic management, the PSBR had been overwhelmingly financed by genuine savings from the non-bank public. Only an insignificant part had been raised from the banks.

"I am wholly unconvinced that the use of genuine savings for investment in the public sector is any more inflationary than if the same savings had gone to finance the expansion of private sector companies," Mr Shore said.

Even in the depths of the recession, the Government still covered all its current expenditure, including debt servicing, from its own tax revenues and receipts. Borrowing was related entirely to capital expenditure.

● Mr Illtyd Harrington, deputy leader of the Greater London Council, told the conference the GLC would continue to borrow money only for its housing account.

"We are committed to maintaining the GLC's credibility in the money market. All other capital expenditure will be on a pay as you go basis. The Labour administration of 1973 to 1977 laid the foundation of that credibility by building a strong capital fund, and we will continue that work."

Support for extension of labour legislation

BY PAULINE CLARK, LABOUR STAFF

SIR LEONARD NEAL, former chairman of the Commission on Industrial Relations, yesterday lent firm support for a substantial extension of labour legislation to contain what he termed as "the anarchy which now exists" in British industrial relations, and to end the "cynical repudiation of disputes procedures."

Sir Leonard, who now lectures widely at home and abroad on the subject of industrial relations and who in his early days was a trade union officer in the Transport and General Workers Union, was giving evidence to the Commons committee on the Government's Green Paper on trade union immunities.

The consultative period on the Green Paper is due to close at the end of this month.

Criticising the 1980 Employment Act for having been "a non-event" and for failing to make any impact on industrial relations problems, Sir Leonard sided firmly with opponents of the "softly softly" approach to trade union law reform favoured by Mr James Prior, Employment Secretary.

He strenuously denied any suggestions that he was a "union basher" and said he wanted to see trade unions command a more respected image in the eyes of the public. He argued there should be no headlong rush into laws which he would like to see introduced to end any extension of the closed shop and to ensure that trade unions honoured procedural agreements with employers on disputes before staging strikes.

Computerisation of passports some way ahead

By James McDonald

COMPUTERISATION of the Foreign Office's passport operations is still some way ahead, according to evidence given yesterday to the Commons select committee on foreign affairs.

Apart from lack of capital for computer hardware and software during the present squeeze on departmental spending, the committee was told that the Foreign and Commonwealth Office did not have enough in-house staff.

Council house sale delays

BY ROBIN REEVES

APPLICATIONS TO buy their houses under the Government's new legislation have been made by about 24,000 Welsh council tenants. But so far only 250 have been sold, according to Mr Ian Dewar, under secretary at the Welsh Office.

He told the Commons Welsh Affairs Select Committee that his department considered three to six months was a "reasonable period" for the completion of sales.

The Welsh Office felt that only six or seven of the 37 Welsh district councils were unnecessarily delaying council house sales.

But Mr Dewar agreed that if delays were prolonged, the Secretary of State was empowered to take over the task of selling council houses. The Welsh Office did not have the staff but it could be done by private solicitors.

Mr Dewar said about 100,000 houses, or 15 per cent, of the Welsh housing stock was classified as unfit, compared with 10 per cent in England. Wales had received a smaller share of total public housing expenditure than its population warranted.

THE MARKETING SCENE

BY MICHAEL THOMPSON-NOEL

Satellites: the ten-year timescale

HARDLY A DAY slips past without some marketing or media conference addressing its gaze to the skies in rapt contemplation of that high-fashion subject: European satellite TV. And hardly a week *slips by*, or so it seems, without some fresh prognostication on the brave new marketing future that—thanks to satellites—is said to lie in store.

The subject has attracted much attention lately, thanks partly to the plans of a British company, Satellite Television, to launch an English-language service over Europe later this year; partly to the recent Home Office report, Direct Broadcasting by Satellite, in which the UK Government tentatively *approved the* introduction of two satellite TV channels for Britain by the mid-1980s; and partly to the spectacularly successful launch of the U.S. Space Shuttle, which promises substantially reduced costs for putting communications satellites in orbit.

Yet in the view of Mike Townsin, vice-chairman of the Young & Rubicam agency in London, and director of UK and European media services for Y & R International, nothing in recent times, has happened to alter his view that the debut of European *satellite* TV as a useful broadscale advertising medium is still a good 10 years away.

The reason for the 10-year view, says Mr. Townsin in a new study of likely mid-term developments on the satellite front, is that establishing the *means* of satellite broadcasting is the first and easiest step, whereas the next stage, organising reception and distribution of programmes, either via community cable systems or via cable networks, is not so easy.

"Cable is well-developed in *some countries and* under-developed in others, which means a prolonged period of development before broadscale reception in the major European countries is achieved," he says.

"Even then, access to multinational TV programming in no way guarantees that viewers will actually watch." Programmes will have to be of a sufficiently high calibre to win audiences from local ground-level channels, a major drawback being the need to provide some form of simultaneous translation, whether by dubbing, sub-titles, or commentary.

Within Europe, there are currently eight satellite TV projects with some relevance to the advertising business, says Mr Townsin.

The best-known is probably LUX-SAT, Radio Tele-Luxembourg's planned satellite service for Germany, Holland and France. If RTL decides to proceed, LUX-SAT could be launched in mid-1985.

"With an estimated cable and community antennae penetration level of 40 to 45 per cent of all Germany TV homes," says Mr. Townsin, "the German language service could achieve sizeable coverage within a few months, provided the Government allowed the Luxembourg signal to be redistributed by German cable operators.

"With French and Dutch services also planned, LUX-SAT could provide advertisers with the opportunity to use television effectively for the first time in all three countries."

Among other developments, the French and German Governments have committed themselves to launching TV satellites in 1984, says Y&R, both of them planning to retransmit existing national television services on two of their respective satellites' channels.

The French have not yet *decided how to use their third* satellite channel, says Mr Townsin, discussion currently centring on the possibility of leasing the channel to a commercial service, introducing additional quality radio programmes for Radio France, or using the available frequency for a multilingual EEC TV channel that might include advertising. Either way, a fully operational service is unlikely before 1987.

As for Germany: "It is still unclear when a fully operational service could start up, though this could be in 1987. Again, no plans have been made to allow additional advertising on the two State-run channels, though competitive pressures from LUX-SAT and TEL-SAT may bring about a relaxing of current restrictions."

TEL-SAT is a Swiss venture, though decisions about how to proceed are unlikely to be reached by the Swiss Government this year, says Mr Townsin, so that a projected launch date of 1985 is now highly optimistic.

In Scandinavia the Nordic Council has been debating the setting up of NORDSAT since 1977. The technical aspects are now fairly clear, says Mr. Townsin, involving two satellites each beaming up to eight TV channels provided by the five member-countries.

However, the problem of financing the project means that NORDSAT is presently at a standstill, Sweden, Norway and Denmark having refused to countenance advertising.

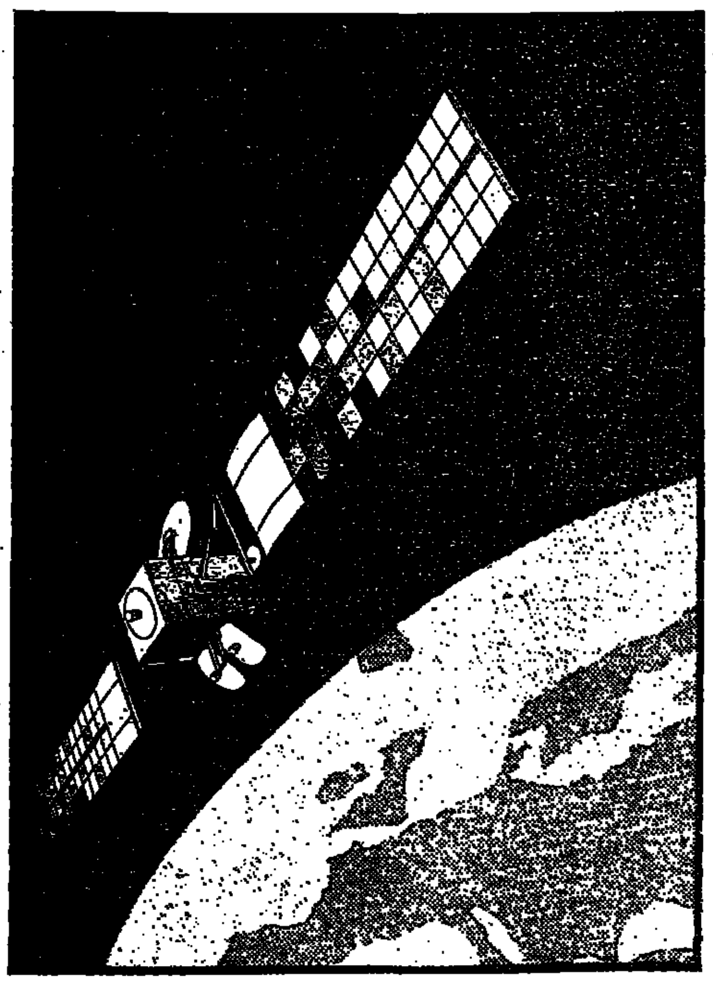
Meantime, Sweden has said it is going ahead with its own multipurpose satellite project, TELE-X, including two to three TV channels, none of which is likely to include advertising.

The other two European satellite projects studied by Mr Townsin are that of the UK's Satellite Television, which hopes to introduce an English-language service beamed via the European OTS satellite, and that of the French programming company SOFIRAD, whose signals (via OTS), says Mr Townsin, are already being received by cable companies in Oslo, Helsinki and in various Dutch cities.

"The Dutch are already redistributing SOFIRAD's programmes in Amsterdam and The Hague," he says, "complete with advertising. Although no information is yet available on future plans for this service, it could be the beginning of the first European *superstaten.*"

The key to the success of satellite TV, says Mr Townsin, is the spread of cable. At present, roughly 20 to 25 per cent of TV homes in Europe receive programmes via cable, and the level of penetration is growing by an estimated 10 per cent a year.

"With the likelihood of widespread potential coverage of satellite TV services as certain as it can be at this stage" he says, "the question of audience size will depend mainly on the quality of satellite TV programming, and, of course, the corresponding lack of good programmes on existing (earth-bound) channels."



AGENCIES & ADVERTISING

Dentsu-Y&R deal proves a tonic at the top

NEWS THAT Dentsu of Japan and Young and Rubicam of the U.S., the world's two biggest advertising agencies, have signed agreement to establish a joint venture in Tokyo as a first step towards closer business relations, has been greeted by Y and R in London as a "powerful antidote" to the unease caused by recent breakaways at one of London's top agencies, Collett Dickenson Pearce.

In recent weeks, CDP has lost £13m to £14m worth of billing following the formation of a new agency, Lowe and Howard-Spink, by Frank Lowe, a former CDP managing director, and Geoffrey Howard-Spink, a former deputy MD.

In a separate move, CDP creative director Tony Brignull is leaving at the end of the month to form yet another fledling shop, Brignull Le Bas.

The Dentsu-Y and R link-up, says Y and R in London, is "potentially the most significant development in international advertising in the past decade, and puts into perspective recent *speculation as to the future of* the big-agency approach.

"There is nothing new in breakaways," said Y and R this week. "What needs to be remembered is that the major international agencies show rock-solid growth, year after year."

The Dentsu-Y and R venture will produce a new agency, Dentsu-Young and Rubicam Tokyo, with initial billings of $95m. It is being formed by a merger of Y and R's Tokyo office with the Dentsu subsidiary, JIMA-Dentsu.

Dentsu handles approximately a quarter of all *Japanese* advertising, and is the world's biggest agency, with billings last year of $2.72bn and revenues of $394.4m.

Y & R is the world's second biggest agency, with billings of $2.27bn and revenues of $340.8m, though the 1980 group billings of Interpublic, a holding company for three major agencies, are put at a combined $3.22bn, *for revenues of* $422.8m.

Dentsu and Y & R are also studying joint venture opportunities in areas outside Japan, including China, Asia, Europe and North and South America. Y & R chairman Edward N. Ney says the two agencies have no intention of merging completely.

The new Dentsu Y & R Tokyo agency will draw approximately two-thirds of its initial billings from existing JIMA-Dentsu clients, who include Nikka (a Japanese liquor concern), Nagase Sangyo-Kodak, and *Ajinomoto General Foods* Inc. The remainder will come from Y & R's Japanese clients, who include Clorox, Du Pont Far East, Estee Lauder Cosmetics (Japan), and Proctor and Gamble-Sunhome.

In London, meanwhile, the breakaway fever of recent weeks has cooled with news that Collett Dickenson has reorganised its top management and won a new £500,000 account in the wake of its loss of top clients like Whitbread, Birds Eye, Fiat and Parker Pen, following the formation of Lowe and Howard-Spink.

The new account is Gilbey's gin, to be handled in addition to a £500,000 new product *launch for Menley and James.*

John Salmon remains head of CDP, as executive chairman with special concern for the creative department, where David Brown has been named deputy creative director. John Spearman has been appointed managing director, and Nigel Clarke deputy MD.

Etcetera

● GRAMPIAN TELEVISION, now split from Scottish TV and selling its own airtime, has appointed Lindsey Dale & Partners to handle a £100,000 campaign.

● PATRICIA MANN, of J. Walter Thompson in London, has been appointed a vice-president of JWT International, responsible for external affairs for the JWT Group (UK), with an extended role in JWT Europe.

● ALLEN BRADY AND MARSH, Britain's tenth biggest agency, is resigning all its Wrigley brands, worth £1.8m (Media Expenditure Analysis) last year. ABM said yesterday it had been concerned for some time about "fundamental *differences of management* philosophy" between Wrigley and itself involving future planning and advertising.

Unger Meats Ltd

OUR MARCH 26 review of new products in the retail frozen food market incorporated a table including an item, 'Chipsteak/Quarterpounders'. Unger Meats has asked us to say that it owns the registered trademark 'Chipsteak'. This applies *to its own product,* which currently sells to the catering trade at some 2,000 tonnes a year, and which it is now putting on the retail market.

MARKET RESEARCH

Mind over impulse

GOOD MARKET research is never easy, and some is downright hard. Among markets presenting the greatest problems are those involving impulse buys like confectionery, crisps and soft drinks, which can be bought *almost anywhere at any time* and by any member of the household.

All of which makes measurement of these markets extremely difficult. As Mike Kerry, joint general manager of the AGB Personal Purchases Index Panel (PPI), says, it would hardly matter if these sectors were tiny or lacking in competition.

TRADE STRUCTURE OF "IMPULSE" MARKETS (ADULTS, 1980)

	Chocolate	Crisps	Savoury Snacks	Mixers
	%	%	%	%
Multiple Grocers	29	25	39	44
Other Grocers (inc. Co-ops)	17	18	17	18
Pubs, Off-licences, etc.	—	20	8	31
Confectioners (CTN's)	25	10	10	*
Woolworth	6	*	1	*
Marks & Spencer	*	6	13	—
Others	24	21	12	7

* Less than 1%
Source: AGB PPI

But the exact opposite is the case, trade sources suggesting that the market for chocolate confectionery alone is worth more than £800m annually, while sales of crisps are put at more than £300m.

Add in other impulse purchases such as snacks and soft drinks and annual expenditure, says Mr. Kerry, is running at a very high rate.

Furthermore, in recent years, the impulse markets have hummed with activity. At a time when many traditional advertisers are hanging fire, the confectionery companies, among others, have continued to endorse huge advertising budgets, so that the three top confectionery companies (Mars, Cadbury and Rowntree) are among the UK's Top Ten advertisers, all with expenditures exceeding those of former pacesetters like Lever.

The reason for such fierce competition is that at a time when margins on many consumer products have been cut to the bone, impulse items can be generously profitable if catching the public taste.

The need for a generally accepted measurement of trends in these markets has become more pressing, says Mr. Kerry, though until recently the PPI experienced difficulties in assessing total market size and distribution shares.

In an attempt to overcome these problems, the PPI panel last year developed a two-tier system of reporting, so that in addition to the panel's normal activities an independent sample of 1,000 adults is given a specially - simplified cheque book-size diary covering only pack size and source-of-purchase of impulse items bought.

"By keeping the questions short and simple," says Mr Kerry, "and making the exercise last only six weeks, we achieve remarkably good response rates from all sectors of the new sample.

"We then use these to weight the more detailed answers we receive on a continuous basis from the 10,000 adults in the PPI panel. The results appear highly satisfactory, in that we and our clients feel that the resulting picture is considerably closer (than before) to the real market situation."

In the two biggest markets, chocolates and crisps, multiples account for less than 30 per cent of sales.

Nevertheless, the multiples are keen to increase their share of these lucrative markets. Now that they can be examined with some degree of accuracy, it will be instructive to see whether the multiples can maintain their challenge — and if so, at whose expense.

TECHNOLOGY

EDITED BY ARTHUR BENNETT AND ALAN CANE

Magnetic resonance aid for disease diagnosis

DAVID FISHLOCK, SCIENCE EDITOR

A 51-year-old man who has felt tired all his life, and has never held a job for long, turns out to have a rare muscle disease called McArdle's syndrome.

As the Financial Times reported last Saturday, the diagnosis was made by a team of medical scientists at the Oxford University which claims it to be the first clinical use of a remarkable new way of studying disease.

The technique was made possible by a long and close collaboration between university and industry, of a kind all too rare in Britain.

The patient turns out to be quite genuinely congenitally tired and in constant pain. He was born with a missing enzyme—an "inborn error of metabolism," as the doctors say. His story appeared in a U.S. medical journal, the New England Journal of Medicine, last week, told by the Oxford scientists who have found him a job he can manage.

He is their willing "guinea-pig," helping them study the problem of chronic muscle pain and disease by NMR (nuclear magnetic resonance).

NMR is a relatively new kind of chemical assay, discovered in 1946. Atoms can be made to "ring" and emit a characteristic signal like the note of a bell, by nuclear magnetic resonance. To distinguish the NMR signal clearly calls for a powerful magnetic field.

The chemists know NMR as a revealing way of analysing very complex molecules. Now, the biochemists and medical scientists are discovering that with NMR they can follow the ever-changing chemistry of the living body.

It offers a way of following the course of certain diseases very closely, and measuring the changes a treatment may bring about.

The technique is painless—I can confirm that, having had my right arm analysed and pronounced very fit. And, so far as is known, it is quite harmless.

McArdle's disease was confirmed in the patient by the infinitely more unpleasant needle biopsy, the cutting of cores of muscle from his arm for chemical assay.

According to Dr George Radda, the biochemist who has pioneered topical magnetic resonance at Oxford, a lot of people suffer from chronic muscular pain. Usually, the cause is an inborn error of metabolism—a missing ingredient in the body's chemistry.

Individually, each disease is rare but it adds up to a lot of distress, and, moreover, pain that worsens with advancing years, says Dr Radda.

The techniques and instruments he and his colleagues have developed in the Department of Biochemistry at Oxford have just been transplanted to the nearby Radcliffe Infirmary.

Living tissue

Here, the doctors have set up the first hospital NMR laboratory anywhere, illustrated in the accompanying photograph, to examine patients with muscle disorders, including diabetics."

Yet, until 1974, no-one believed that NMR would work on living tissue, says Dr Radda. This was because the "folklore" said it worked only on pure, homogeneous samples, and then only on liquids.

He showed that the sample does not have to be pure and homogeneous to yield medically useful information; and that living tissue behaves much like a liquid.

It has led to an NMR technique now used routinely in Oxford for examining kidneys removed from donors before they are transplanted. They believe they can quickly detect any signs of the organ "going off" without harm to the kidney, and save some transplant recipients later distress.

The key to success, Dr Radda acknowledges, was the close relationship between the university scientists and Oxford Instruments, a local company which has kept at the forefront of the technology.

"There's absolutely no doubt that this is the leading magnet group in the world," Redda says.

The company was formed 21 years ago by Mr. Martin Wood, an engineer in the Clarendon Laboratory at Oxford, to specialise in the design of new magnets. Today, Mr Wood is chairman of a group expecting sales of £17-£18m this year.

Topical magnetic resonance makes heavy demands on the magnet designer. It requires a powerful field to get a sharp NMR signal out of a lot of electronic "noise."

It also requires a remarkably uniform field over the volume of tissue being examined. Preferably, field strength should vary by no more than one part in a billion.

The strength of the field makes it imperative to use superconducting magnets, wound from materials which at very low temperatures have no electrical resistance. Thus, they need virtually no power to sustain their magnetism.

For comparison, an ordinary electromagnet of the same power big enough to encompass the arm or leg of a patient would take the output of a sizeable electricity generator—about 80 MW.

Oxford Instruments designs and makes the superconducting magnet—which is still the bedrock of the company's business today. But for topical magnetic resonance the company has developed for the first time a complete analytical instrument.

The first of these was delivered to Dr Radda's group last autumn and another is used for the company's own development work. A third has been sent to the U.S., and the company has orders for another two—at £200,000 apiece—from U.S. medical schools.

But Dr Radda and his industrial collaborators are in no doubt that the next big development in topical magnetic resonance must be whole-body analysis; an instrument big enough to take a whole patient, so that they can assay any organ or tissue, from brain to toe.

Oxford Instruments, which sees topical magnetic resonance as a burgeoning new business sector, has just set up a new subsidiary, Oxford Research, to specialise. Dr Peter Hanley, its general manager, was previously the group's technical director.

The big technical challenge Dr Hanley now faces is to fulfil an order worth about £300,000, for the world's first whole-body instrument for topical magnetic resonance.

The instrument is being funded by the Medical Research Council, as part of a £750,000 clinical trial of the technique. This clinical trial will be carried out by the Radcliffe Infirmary, in co-operation with the Nuffield Department of Clinical Medicine at Oxford.

Colour images

One of its aims is to see whether doctors can make a better assessment of the extent of the damage caused by strokes, by looking at changes in brain chemistry.

Separately—if somewhat confusingly—Oxford Instruments has a considerable interest in research at two other British universities on whole body NMR. This research is producing colour images inside the body, as revealing as those of the EMI-Scanner but free from the hazards of X-rays.

These researches are forming their images from one very simple molecule only—water. Nevertheless, as the Aberdeen team has shown in a paper published in The Lancet last month, NMR images of livers can clearly reveal early signs of tumours, cirrhosis, and other diseases.

£150,000 apiece

Every company which plunged into the scanner market in the 1970s is weighing the merits of NMR imaging today.

Oxford Instruments has no intention of competing, says Martin Wood. As the world's leading maker of high-precision magnets, he sees every one of them as a potential customer for his big magnets—at up to £150,000 apiece.

Roger Taylor

DR. GEORGE RADDA, lecturer in biochemistry at the University of Oxford, with the equipment which Oxford Instruments has designed. His assistant has placed her left arm in the core of the superconducting magnet, in readiness for NMR analysis.

York deal on French trailers

FOLLOWING an agreement between York Trailer Company of Corby, Northants, and French refrigerated road vehicle body builder Klégéfrance, York, is to become responsible for the sale of the former's trailer bodywork in the UK.

Klégéfrance's UK concessionaire, Davenport Vernon, will continue to market the bodywork for rigid trucks.

One result of the agreement is a 40ft trailer with a tare weight under 7,000 kg. Called the Thermovan, it is based on a specially developed chassis built by York. Bodywork is to be fitted in the Klégéfrance factory at Saint Lô.

UK office automation is on the way

ALMOST three-quarters of all big firms in the UK intend to invest more money and people in office automation, according to a new survey published today.

The survey covered almost 300 companies in Britain ranging from less than 49 to more than 500 employees and in a range of industrial sectors including agriculture, construction, financial services and government.

Organised by the consultancy, Urwick-Nexos, in conjunction with Computing newspaper, the survey is one of the most broad ranging indications of the intentions of UK management in office automation.

Office automation? Urwick-Nexos solves the inevitable thorny problem of definition by stating: "We use it to mean the application of modern electronic technology to office work in offices, warehouses, factories, schools or any other place."

So its shows that in the financial services sector, 71 per cent of the companies sampled intend to spend more money on word processors in the following 12 months, 52 per cent expect to spend more on minicomputers, but only 37 per cent intend to spend more on the newly fashionable "executive workstation."

In fact, financial services as a sector is unadventurous in automating its offices. All those companies surveyed said they would be spending nothing in the coming 12 months on optical character recognition equipment, viewdata and videotext.

They were not very keen, either, on message switching, facsimile, microfilm and electronic mail.

In fairness, it must be pointed out that Urwick-Nexos says that most organisations planning to decrease their effort or investment had reached a plateau in their plans after substantial investments in one or two areas.

Asked what major problems faced in tackling office automation, most companies plumped for ensuring compatibility of systems—the problem of ensuring that the word processor would talk to the minicomputer and that both would talk to the firm's mainframe computer (and the intelligent copiers and facsimile machines and telephone exchanges in the wings).

The next most pressing problem was cost with 46 per cent of the sample arguing that new technology products were too expensive.

One manager believed that costs would have to come down by between 30 per cent and 60 per cent before investment really took off.

The report notes that the more advanced companies are planning to add communications to their existing word processing installation.

"One organisation was already trying out communicating word processors as one of a number of experiments with electronic mail," the survey reports.

Urwick-Nexos is a company set up jointly between Urwick, the consultancy, and Nexos, the National Enterprise backed office automation company.

Headed by David Firnberg, a former director of the National Computing Centre, its chief role is education and research in office automation.

It is carrying out a major research study in office automation sponsored by British Telecom and the Department of Industry.

It is looking for a third sponsor, preferably from the City, to put up £100,000.

The idea is to set up panels of volunteer companies in particular areas of interest—personnel, for example, to pool their ideas and experience of office automation.

Any company wishing to become a volunteer in the programme should contact Urwick-Nexos on 02814 5123.

ALAN CANE

Spectrum analyser from Reading

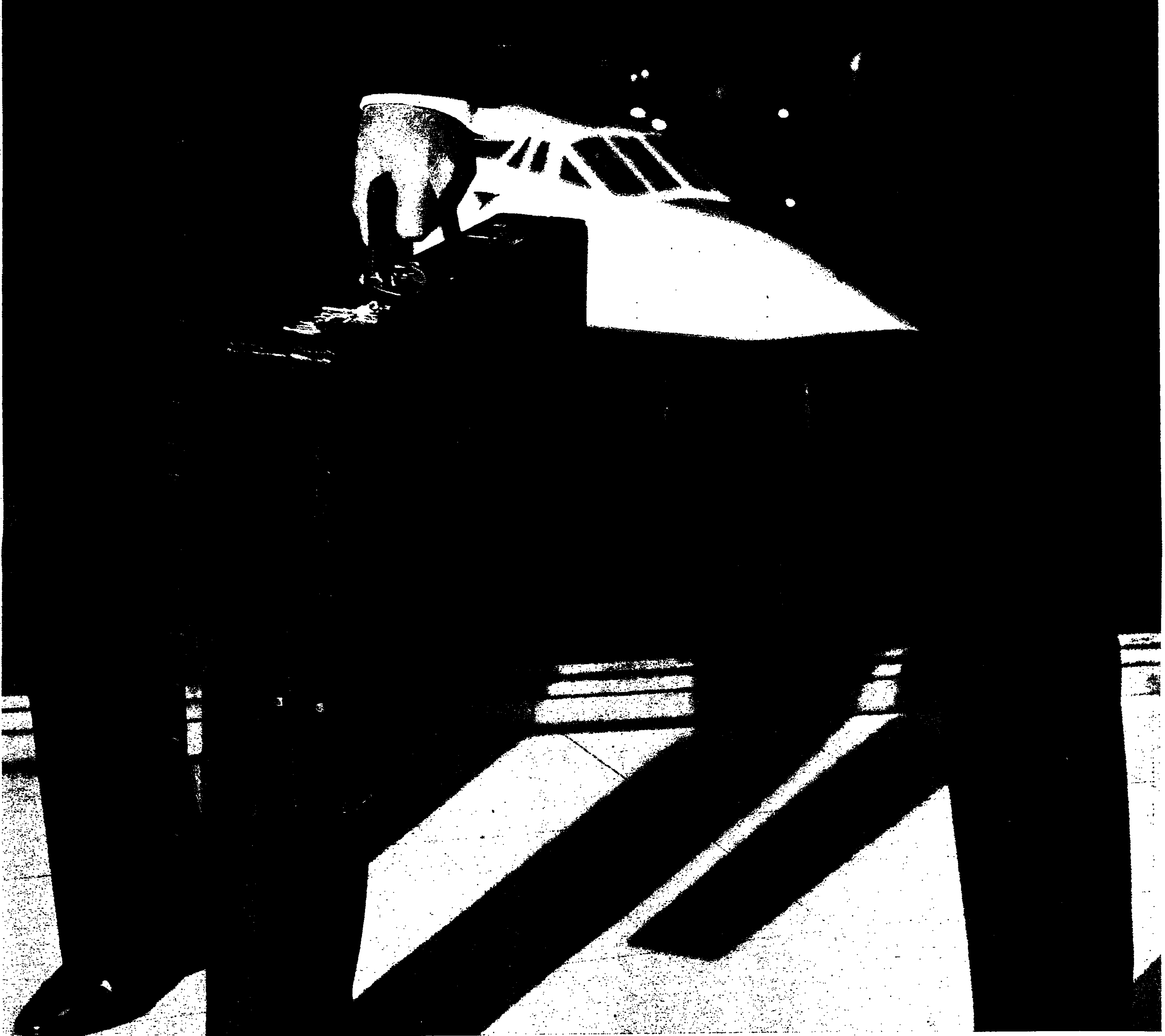
HEWLETT Packard has introduced a new spectrum analyser covering the range 10 megahertz to 22 gigahertz. Using external mixers, the range can be extended to 170 gigahertz.

According to HP, the analyser's radiofrequency performance meets demands ranging from wideband displays to detailed narrowband analyses.

The machine, the 8569A, has a microprocessor controlled display which provides two independent traces each with 480 point horizontal and 800 point vertical resolution.

This gives the user the flexibility to store trace data yet still monitor signal changes. HP is on Reading 61022.

"Agreed. So what we need now is an international bank that not only has financial muscle, but imagination as well ... a bank that will help us solve some of our major problems, not merely offer us routine answers."



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JOBS COLUMN

What teenagers lack, the alchemists gain

BY MICHAEL DIXON

"WANTED—Co-ordinator, life and communication skills'" a certain college of further education advertised recently. The post was one of a number being created of late, mostly for people who have done well in academic education, with the stated aim of helping unemployed teenagers most of whom have done badly in the same.

The advertisement was reported to this column by a woman who said she was itching to be interviewed for the job. She was sure that the college would want to see her because merely by applying she had proved that she not only possessed the skills of life and communication but could also co-ordinate them.

And when she arrived for the interview she was going to offer the college a wager. She would take the job for nothing if the interviewers could clearly explain something to her. It was what relation the job-title had to the work the recruit was intended to do, and how the benefits of this to the young unemployed would outweigh the costs of the appointment to the taxpayer. She felt sure she would win the bet.

I share her confidence even though the meaning of the first word of the job-title, at least, seems fairly plain to me. There has been a definite trend among organisations to appoint co-ordinators rather than managers which has coincided with a diminishing of executive authority. Hence a co-ordinator is probably definable as someone employed to manage something but denied the effective power to manage it. The rest of the title, however, leaves me bewildered.

Had the college said that it was the teaching of literacy and numeracy which the recruit was expected to co-ordinate, I would understand. But it didn't say that. Like numerous other institutions, officials and teachers entangled with youth unemployment, the college spoke of teaching "life and communication skills" which are presumably *something different.*

While unable to tell what these may be, I feel certain that courses on such topics are essentially distinct from measures taken outside the education system, such as work-experience schemes, to provide things to do for school-leavers who would otherwise be unoccupied. No criticism is *intended of the principle* behind these extra-educational measures as long as they and the employment of people to organise them have the status of a temporary expedient. Until the severe shortage of jobs for young people is relieved, the interests of social stability require us to provide them with means of occupying themselves lawfully. And if they thereby learn something which would be *useful in employment,* so much the better.

But it is a quite different thing to establish within the further education system a *structure of* supposedly new courses purporting to *train* youngsters to be more employable, meanwhile staffing those courses with co-ordinators and *suchlike presumably* with the high job-security usual in the public services. The only justification for this would surely be positive evidence that the training supplied will be effective, and such evidence is most noticeable by its absence.

No foundation

It is true that a person is the more employable for being alive and able to receive and transmit with a certain minimum efficiency. But one needs rather more information than that before one can devise effective training courses. To establish an adequate foundation for such training, the *further* education colleges would need a detailed, nationally consistent specification of which particular skills of life and of communication are positively related to employability, and how.

Since nothing of the sort seems to exist, I feel that there can be only one interpretation of the claims of the colleges and *other branches of officialdom* that courses in such skills both can and should be supplied at public expense as a useful aid to jobless school-leavers. This is that the institutions concerned have taken a leap back into history, and are indulging in alchemy.

As readers will remember, the mediaeval alchemists assumed that base metals such as mercury were the natural raw material for the production of gold. Accordingly, they sought to hasten the production process by messing about in various arcane ways.

By the same token the modern equivalents in education and training appear to believe that unemployed school-leavers are the natural raw material of employed adults, and can be converted thereto by treatment in colleges.

In theory, this could be achieved by training the youngsters in the specific work skills which will be required as a result of the new technologies. Here, however, the new alchemists seem to have bowed to the practical objection that no one as yet has a better than hazy idea of what those work skills will be.

So the learned moderns have come up with an alternative based on the observation that employability does not depend on work skills alone. Here, of course, there is also the objection that nobody has more than *a nebulous notion of what the* additional skills are. But in this case the educators and trainers have evidently dealt with the obstacle by simply ignoring it.

They have concentrated their brain-power and the money available through the Manpower Services Commission on making what they might possibly call "conceptual progress." The as yet largely hypothetical elements have been intellectually broken down into life and communication and even social skills. The MSC itself has apparently compounded the mystery by conceiving of a further, over-riding division between "product" and "process" skills.

The fact that nobody seems able to state clearly what these *terms might mean in practice,* has not prevented them from becoming commonplace in discussions between educators and trainers—and not only in Britain. Throughout Europe, I gather, notional authorities on youth unemployment are these days getting together and conversing in similar riddles.

Moreover some colleges have *gone beyond giving names to* the elements and have assumed that they must already be teaching them. Witness the institution proud of supplying jobless youngsters with social-skills training which, on investigation, turned out to consist of a young lecturer with no working experience outside education trying to lead a discussion *on television programmes about* life in prison and the like.

The effect of this educational alchemy is to ensure that further education colleges continue unproductively to absorb scarce resources which plainly need to be freed and used elsewhere. For whatever may be the natural raw material for the production of employed adults, it is not unemployed school-leavers. They can't be sensibly viewed as raw material at all, because they have previously been processed for at least 11 years by the schools.

If large numbers of youngsters emerge therefrom still too socially and linguistically inept to compete for employment, then the fault must be rooted in the schools. So why cannot *the money being spent on* spuriously remedying the problem in colleges be invested instead in eliminating its growth in the earlier stage of education?

The answer is probably that this would be territorially inconvenient to the Department of Education and Science which has jealously guarded the *school sector* from the influence of the Manpower Services Commission. Which is a pity because as long as this bureaucratic entrenchment continues, so long will we continue to produce school-leavers disqualified from earning *their living.* So long also, I suspect, will training continue to be definable in Britain as "something that is done to *people who have failed to benefit* from education."

Insurance Claims Co-ordinator

London — Oil Industry

Marathon Oil U.K. Ltd., is part of an international US-based organisation which has a turnover of $8.8 billion world-wide. The company's activities include the development of the major North Sea Brae field, which is due to come on stream in 1983.

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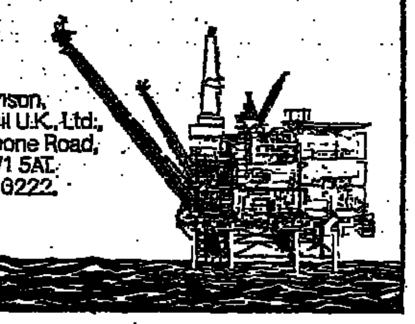
Tel: 01-486 0222.



MARATHON

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SP

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E. Sutton, Ref: 17165/FT. Male or female candidates should telephone in confidence for a Personal History Form **01-734 6852,** *Sutherland House, 5/6 Argyll Street, LONDON, W1E 6EZ.*

This Advertisement is featured on page 599013 of Prestel

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Further particulars are available from the Administrative Secretary, *Institute of* Development Studies, University of Sussex, Brighton, Sussex BN1 9RE (Tel. (0273) 606261, ext. 221). All enquiries will be treated in strict confidence. Applications should be sent to arrive by 20 July 1981.

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LOMBARD

Two views about tax reductions

BY DAVID LASCELLES IN NEW YORK

IF YOU are wondering why the key feature of President Reagan's "supply side" economic programme is a massive "demand side" cut of 30 per cent or so in personal taxation, you plainly know little or nothing about supply side economics. But do not worry, you are not the only one, most of Wall Street cannot understand the answer to that riddle either, which is why the financial markets have been in such a mess recently.

It boils down to a question which is already fairly familiar in Britain: will a worker respond to a cut in his personal income tax by working harder to earn even more, or will he just spend harder to get rid of his higher disposable income?

The whole supply side scheme of things is built on the premise that he will do the first: that man responds to incentives and will increase his output in direct proportion to the reward that is offered him.

Supply siders believe that individuals, not corporations, are the only forces that produce in the world, and that all tax improvements should therefore be focused on improving their will to work.

"Everything has to pass through the toll gate of income tax in the end," the reasoning goes, so the lower the toll, the better. And there is little or no inflation danger because higher production will adequately offset the increase in demand.

In disguise

The demand siders, of course, take a different view. Out of Keynesian habit (or simple scepticism that even Americans will put more grease into their elbows if taxes are cut), they see reductions in income tax mainly in terms of their impact on demand, with little or no improvement in output. Result, inflation, and lots of it.

Unfortunately for Mr Reagan, much as Wall Street would like to believe in the supply side panacea, its analysts have tended to stick with the demand siders and view his budget proposals as another load of fuel for the inflationary furnace. "It's just Keynesianism in disguise," is a frequently heard comment.

But this still does not explain the whole supply side riddle.

An objection that is often raised is why, if supply side is supposed to stimulate industrial production and spur investment, does it not go straight to the heart of the matter and cut corporation tax, to say nothing of capital gains tax and the double taxation of dividends?

Again, the answer goes back to the role of individuals. In a perfect world, supply siders would like to abolish most taxes. But since they cannot, they have to calculate which tax reductions will provide the greatest "yield" in improved output from the economy, and income tax comes in way ahead of everything else. Cuts in other taxes represent a less attractive "bargain" for government in terms of foregone revenue dollars.

Confusing

Besides, a cut in corporation tax would have an unbalanced—and unfair — impact on the productive sector because its benefit would be lost on productive forces grouped in partnerships which are taxed at personal rates.

A confusing detail in all this is the Reagan proposal to liberalise depreciation allowances on capital equipment, plant and other industrial assets. These allowances are not "supply side" for the reasons already demonstrated. They only got into the package because the supply siders had to make some concessions to others in the Reagan camp.

So the simple answer to the question posed at the outset is that the tax cut is not a demand side measure at all, because the supply siders say so. Whether the markets take their word for it is a different matter, and so far they have not. A tax cut, they seem to be saying, by any other name would smell just as nasty.

Oil, politics and the need for a civil code

BUSINESS AND THE COURTS

BY A. H. HERMANN, Legal Correspondent

THE LITIGATION between the Burmah Oil Company and the Governor and Company of the Bank of England, which was opened in Mr. Justice Walton's court on Tuesday, is likely to keep the courts busy for the next two or three years—and to provide much food for thought, and not only to lawyers.

Like the litigation between Lonrho and Shell and British Petroleum, which has just come to an end after two years, it is about oil and politics. But in addition, it is also about the use or abuse of power, both economic and governmental. And at a further remove, it is about the uncertainties of English law and will demonstrate the costly processes necessary to clarify what in some other countries lawyers can settle by turning over the pages of the civil code.

The facts underlying Burmah's claim for the return of some 311m shares in British Petroleum, bought by the Bank of England for £179m and now valued at almost £1.2bn, may be disputed in detail but by-and-large are agreed between the parties.

In 1974 Burmah ran into financial difficulties. It borrowed heavily from Chase Manhattan and Orion Bank to enable it to buy the Signal oil and gas companies in North America. It was agreed the loans could be recalled should the total assets shown in Burmah's consolidated balance sheet sink below the sum of the loans.

Burmah's most important assets were its shares in BP. In the three years, 1971-73, the highest price for these shares was between £6.31 and £6 per share, and the lowest price between £4.07 and £4.65.

The Burmah board did not anticipate the possibility of BP's shares falling so dramatically that as a result the total value of the company's assets would sink below the level of its American indebtedness and thus trigger off the possibility that the loans would be recalled. However, this is exactly what happened.

The share price of BP, which had been falling in line with the stock market generally from the second quarter of 1974, was below £2.30 on November 20 1974 and continued falling until January 2, 1975 when it reached its lowest level at £1.90. From January 3 1975 onwards the BP share price rose steadily and rapidly, reaching £5.48 in July 1975, and rose still further to £6.85. In contrast with these fluctuations of the price, the underlying share asset value was stable—£6.73 at the end of 1974 and £6.89 at the end of 1975.

The prospect that in the next published accounts of Burmah the BP shares would be valued at their lowest quoted price reached at the end of 1974, combined with losses which Burmah suffered on their shipping operations as a result of the 1973 oil crisis and its aftermath, created an acute liquidity problem. Any default by Burmah was likely to start a panic reaction among its U.S. creditors.

This state of affairs prompted Burmah's financial advisers, the merchant bankers Flemings and Barings, to seek a meeting with the Governor and Deputy Governor of the Bank of England. The meeting took place on December 23 1974 and it is now agreed by both the Bank and Burmah that on this occasion the merchant bankers indicated in general terms the nature of Burmah's financial problem, stating that the meeting did not have the prior approval of Burmah.

Burmah claims, in addition, that the merchant bankers acted without Burmah's approval because the Bank of England had earlier requested them and other financial institutions to inform the Bank as soon as possible of any known major financial problems. This is not admitted by the Bank of England in its defence, and may prove to be an important point in considering any duty of care which the Bank may have had towards Burmah.

Various meetings took place between December 23 and 30, and the question whether the Bank of England restricted Burmah's freedom of action until it was too late to do anything but accept the Government's terms will be one of the important issues of fact in the dispute.

On December 30 Burmah was told the terms under which the Government was prepared to authorise its rescue by the Bank of England. Its BP shares were to be mortgaged to the Bank in return for guarantees and other financial assistance. The entire management was to come under the control of the Bank and Burmah would have to transfer to the Government 51 per cent of its interest in commercial oil fields on the continental shelf — to become thus the first major oil company to co-operate with the Government's policy of acquiring a share in these North Sea oil fields. Burmah had no choice but to accept these terms.

On January 3, 1975, the BP shares started to rise and the terms under which Burmah was to receive assistance were substantially hardened during the negotiations for implementation of the agreement reached, in principle, on December 30, 1974.

The Bank admits that before January 21, 1975, the Deputy Governor expressed to Burmah the view that a sale at the market price providing for some element of profit sharing on resale by the Bank would be reasonable. But on January 22, when BP's shares had risen to £2.54, the Deputy Governor stated that the Government had decided that the price to be paid by the Bank should be £2.30 and that the Government was not prepared to accept any profit-sharing formula.

However, the Bank admits that at the meeting when this decision was communicated to Burmah, "the Governor and Deputy Governor said that they remained of the view that the suggestion of a profit-sharing arrangement was reasonable and that they had done what they could to represent this view to Her Majesty's Government and that they could not object to Burmah having direct discussion with the Paymaster General."

These discussions took place but Burmah achieved nothing. The shares were sold for £2.30 without any profit-sharing clause while their market price was steadily rising.

The picture which emerges from Burmah's claims and the Bank's defence is fairly clear. But the judges will be taken through complicated and arduous arguments. Did the Bank act as an equal partner and was the agreement a business deal? Or did the Bank represent governmental authority?

The expressions once used in Chancery were more often "reason" and "conscience" rather than "equity." Burmah claims that the action by which it suffered was "unreasonable" and "unconscionable" and unfair into the bargain. The dispute may well oblige the courts to draw consequences from the fact that governments can achieve their political aims by the use of economic power.

How much easier would their task be if they could be guided by a simple rule of a civil code, such as the Austrian code enacted in 1811. Its Section 879 declares null and void contracts by which one party exploits the distress of the other by obtaining conspicuously more in return than what it gives.

Master Willie's Coronation

RACING

BY DOMINIC WIGAN

MASTER WILLIE, who ran one of the best races of his life when going down in last year's Derby by only three-quarters of a length to Henbit on faster ground than he relishes, returns to Epsom today for the Coronation Cup. He is clearly the one they have to beat.

A consistent son of High Line, Henry Candy's colt went on to establish himself as a top performer after that run, putting up praiseworthy displays in the Benson and Hedges Gold Cup and the Champion Stakes. In both he proved himself marginally better than Cairn Rouge, the Irish Classic filly.

If Master Willie's recent effort in the Jockey Club Stakes is anything to go by, the lengthy chestnut is a better horse than ever. Always travelling with ease on the Rowley Mile course, Master Willie pulled away from his rivals with effortless ease a quarter of a mile out to score by 15 lengths from King's Ride. The runner-up took the William Hill Lincoln last year, and it is doubtful whether any other middle-distance four-year-old could have beaten him as easily as Master Willie.

The selection looks set to score from Prince Bee or Rankin. The former is another to have gone from strength to strength since last summer, winning the Gordon Stakes, the Great Voltiger and Longchamp's Prix Neil; while Rankin could pose problems if reproducing his Derby form.

Half an hour after the Group I feature event, one of Epsom's great post-war figures is remembered with the renewal of the Staff Ingham Stakes. Two whose chances must be respected here are Algardi, the Warren Place candidate, and Justicia, Guy Harwood's Pulborough representative.

Justicia, a grey daughter of Nonoalco out of the Runnymede mare Canton Silk, has established herself as a smart youngster, but she cannot afford to miss the break as she did before scoring at Newmarket. If she gets away on level terms, I envisage her presenting problems for Abergwaun's daughter, Algardi, a one-and-a-half lengths winner from House Pitch on his home course.

EPSOM

2.00—Cornish Blue**
2.35—Melon Patch
3.10—Master Willie*
3.40—Algardi***
4.15—Uppety
4.50—Football

ENTERTAINMENT GUIDE

TV/Radio

BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University (Ultra High Frequency only). 9.47 For Schools, Colleges. 11.25-12.45 pm Cricket: One-day Test: England v Australia for The Prudential Trophy from Lord's. 1.12 Regional News for England (except London). 1.15 News. 1.30 Chock-a-Block. 2.00 You and Me. 2.15-3.00 For Schools, Colleges. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 The Perils of Penelope Pitstop. 4.44 Heidi. 5.05 John Craven's Newsround. 5.10 Blue Peter.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.55 Tomorrow's World.
7.20 Top of the Pops.
7.55 The Hitch-hiker's Guide to the Galaxy.
8.30 Butterflies.
9.00 News.
9.25 The Chinese Detective.
10.15 Question Time with Robin Day.
11.18 News Headlines.
11.20 Kojak.

All Regions as BBC-1 except as follows:

Cymru/Wales—11.30 am Search. 11.50 Join BBC-1 (Cricket). 5.55-6.20 pm Wales Today. 6.55-7.20 Heddiw. 12.10 am News and Weather for Wales.

Scotland—1.10-1.15 pm The Scottish News. 5.55-6.20 Reporting Scotland. 8.30-9.00 The Current Account Report. 12.10 am News and Weather for Scotland.

Northern Ireland—11.30 For Schools: Ulster in Focus—The Burren. 11.50 Join BBC-1 (Cricket). 3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 12.10 am News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
10.40 Cricket — One-day Test: England v Australia for The Prudential Trophy from Lord's.
11.00 Play School.
1.20 pm Cricket: One-day Test: England v Australia.
7.15 Mid-Evening News.
7.25 Delia Smith's Cookery Course.
7.50 The Pursuit of Power: Robert McKenzie talks to the Rt. Hon. Norman St. John-Stevas MP.
†8.30 Battlefront: "Dunkirk," starring John Mills, Bernard Lee and Richard Attenborough.
10.45 Newsnight.
11.30 Cricket: One-day Test highlights.

LONDON

9.30 am Schools Programmes. 12.00 Woolfits. 12.10 pm Get Up and Go! 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Take the High Road. 2.00 Here Today. 2.25 Racing from Epsom covering the 2.35, 3.10 and 3.40 races. 3.50 Look Who's Talking. 4.20 Little House on the Prairie. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 "Matt Helm," starring Tony Fraciosa.
8.00 Young at Heart.
8.30 TV Eye.
9.00 Funny Man.
10.00 News.
10.30 Thames Report.
11.00 Lou Grant.
12.00 What the Papers Say.
12.15 am Close: "Sit up and Listen," with Jane Lapotaire.

All IBA Regions as London, except at the following times:

ANGLIA

1.20 pm Anglia News. 6.00 About Anglia. 6.20 Arena. 6.35 Crossroads. 7.00 Survival. 7.30 Benson. 10.30 Snooker. 11.00 240 Robert. 12.00 Paris By Night. 12.30 am Themes.

ATV

1.20 pm ATV News. 4.20 Vicky the Viking. 4.45 Little House on the Prairie. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 7.00 Emmerdale Farm. 7.30 England Their England. 10.30 Here and Now, presented by Zia Mohyeddin. 11.00 ATV News. 11.05 Lou Grant.

BORDER

1.20 pm Border News. 3.50 Andy's Party. 5.15 Mork and Mindy. 6.00 Lookaround Thursday. 6.35 Crossroads. 7.00 Emmerdale Farm 7.30 Survival. 10.30 Lou Grant. 11.30 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where. 6.00 Channel Report. 6.35 Crossroads. 7.00 The Television Programme. 7.30 Mork and Mindy. 10.28 Channel Late News. 10.36 Paris By Night 11.05 Police Surgeon. 11.35 News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News 5.10 Police News. 5.15 Emmerdale Farm. 6.00 North Tonight. 6.35 Crossroads. 7.00 Top Club. 7.30 Father, Dear Father. 10.30 Soap. 11.00 Thriller. 12.15 am North Headlines.

GRANADA

1.20 pm Granada Reports. 4.20 Movie Matinee: Ray Milland in "Bugles In The Afternoon." 6.00 Granada Reports. 6.25 This Is Your Right. 6.30 Crossroads. 7.00 Emmerdale Farm. 7.30 Father, Dear Father. 10.30 Celebration. 11.00 What the Papers Say. 11.20 Darts World Knock-out Cup. 11.55 Police Surgeon.

HTV

1.20 pm HTV News. 4.20 Spiderman. 4.45 The Flying Kiwi. 5.10 Jobline Newsdesk. 5.20 Crossroads. 6.00 Report West. 6.30 Happy Days. 7.00 Emmerdale Farm. 7.30 England Their England: State of Welfare. 10.28 HTV News. 10.35 Show Extra. 11.05 Fireside Theatre.

HTV Cymru/Wales—As HTV West except: 9.30-9.45 am Cymru A'r Mor. 12.00-12.10 pm Owain A'r Olion. 4.20 Brendon Chase. 4.50-5.20 Ser. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.35 Brass in Concert. 11.20-12.15 am Fireside Theatre.

SCOTTISH

1.20 pm News, Road, Weather. 1.30 Square One. 5.15 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Action Line. 6.30 Sale of the Century. 7.00 Take the High Road. 7.30 Leave It To Charlie. 10.30 Preview. 11.00 Scottish History. 11.20 Late Call. 11.25 Tenspeed and Brownshoe.

SOUTHERN

1.20 pm Southern News. 5.15 Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Day By Day. 6.30 University Challenge. 7.00 Emmerdale Farm. 7.30 Three's Company. 10.35 Your Westminster. 11.05 The New Avengers.

TYNE TEES

9.20 am The Good Word. 9.25 North-East News. 1.20 pm North-East News and Lookaround. 4.20 The Fantastic Four. 4.45 Tarzan. 6.00 North-East News. 6.02 Crossroads. 6.25 Northern Life. 7.00 Emmerdale Farm. 7.30 Benson. 10.30 North-East News. 10.32 Soap. 11.00 Check It Out. 11.30 Double Top. 12.00 In a Looking Glass.

ULSTER

1.20 pm Lunchtime. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 6.20 Police Six. 6.30 Happy Days. 7.00 Emmerdale Farm. 7.30 England Their England. 10.29 Ulster Weather. 10.30 The New Avengers. 11.30 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 6.00 Westward Diary. 6.35 Crossroads. 7.00 The Television Programme. 7.30 Mork and Mindy. 10.32 Westward Late News. 10.36 Paris By Night. 11.05 Police Surgeon. 11.35 Faith For Life. 11.40 West Country Weather, Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 4.20 Jason of Star Command. 4.45 Sierra. 6.00 Calendar (Emley Moor and Belmont editions). 6.35 Crossroads. 7.00 Emmerdale Farm. 7.30 Survival. 10.30 Calendar Carousel. 11.00 The Monte Carlo Show.

RADIO 1

(S) Stereophonic broadcast
‡ Medium Wave

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell. 7.00 Dave Lee Travis with "Wheels." 8.00 Richard Skinner. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 David Hamilton (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 The Ed Stewart Snow (S), also Racing from Epsom. 4.00 Steve Jones (S). 5.45 News and Sport. 6.00 David Symonds with Much More Music (S). 8.00 Country Club with Wally Whyton (S). 9.00 Alan Dell with The Big Band Sound (S). 9.55 Sports Desk. 10.00 The News Huddlines with Roy Hudd. 10.30 Star Sound Extra. 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour with Sheila Tracy (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S) 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Chausson (S). 9.50 Haydn, Brahms and Berg song recital (S). 10.40 Cricket: England v Australia, the first one-day international for the Prudential Trophy, from Lord's, including 1.00 pm News, 1.05 Scores, and reports from the Schweppes Championship matches. 7.30 Radio Theatre '81 (S). 9.10 Karl Amadeus Hartmann Symphony No. 7 (S). 9.45 Words 9.50 Michel Beroff piano recital (S). 11.00 News. 11.05-11.15 Prague Collegium Musicum (S).

VHF with Medium Wave except as follows: 5.55-6.55 am Open University. 10.40 Mozart (S) 11.15 Scottish Baroque Ensemble (S). 1.00 pm News. 1.05 Manchester Summer Recital (S). 2.00 Yvonne Minton (S). 3.00 Jakob Lindberg (S). 3.55 Schoenberg and Beethoven (S). 4.55 News. 5.00 Mainly For Pleasure (S). 7.00-7.30 Ravel Songs (S) 11.15-12.55 am Open University

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day; 7.00, 8.00 Today's News; 7.30, 8.30 News Headlines; 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Checkpoint. 9.30 The Living World. 10.00 News. 10.02 Policing the '80s. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Analysis. 11.50 Enquire Within. 12.00 News 12.02 pm You and Yours. 12.27 Brain of Britain 1981 (S). 12.55 Weather Programme News. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre 4.00 The Laughter-singers (S). 4.15 Bookshelf. 4.45 Story Time (S) 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather; programme news. 6.00 News, including Financial Report. 6.30 Any Answers? 6.55 It's a Bargain. 7.00 News. 7.05 The Archers. 7.20 Time For Verse. 7.30 Bath Festival 1981—Chamber music recital: Mozart (part 1) (S). 8.10 Gemmell's Gardens. 8.30 Bath Festival 1981—Chamber music recital: Mozart (part 2). 9.10 Friends "Blessings." 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbie Vincent Telephone Programme. 12.30 pm London News Desk. 12.40 The Total Music Show. 2.30 Tony Blackburn. 5.00 News. 5.15 Music on the Move. 6.33 Openings. 7.03 Black Londoners. 8.00 As Radio 1: 10.00 Question Time from the House of Commons. 11.00-5.00 am Join Radio 2.

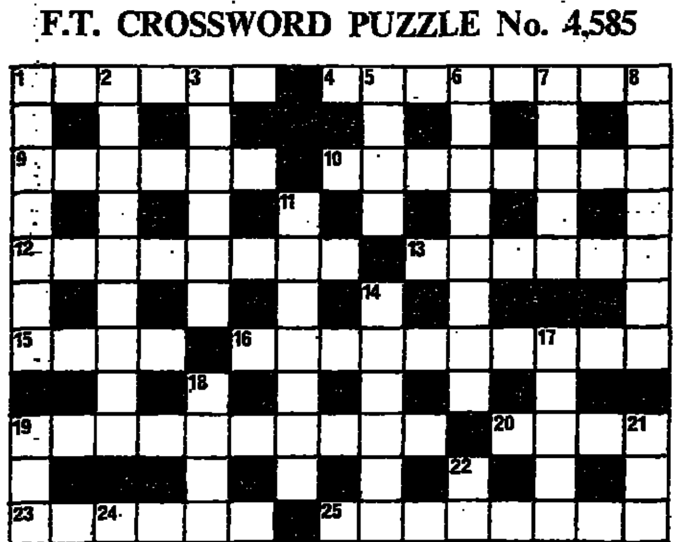
London Broadcasting

6.00 am AM — Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 7.00 pm London Life. 9.00 Mike Dickin's Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 4.00 The London Interview. 5.00 Morning Music.

Capital Radio

7.00 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Mike Allen. 1.00 First Report. 1.10 Mike Allen. 3.00 Roger Scott. 6.30 London Tonight. 8.30 Nicky Horne. 10.30 John Sach's Late Show. 12.00 Midnight Special.

F.T. CROSSWORD PUZZLE No. 4,585



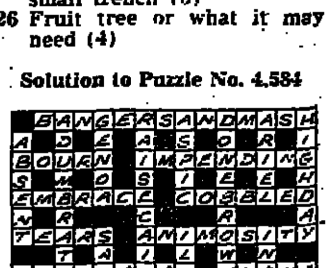
ACROSS

1 First of troops go to crude trench (6)
4 Having part of a flower to make mat dense (8)
9 Very tired? Yes, about fashion! (6)
10 Panic about German article is universal (8)
12 Stammer and delay in making a decision (8)
13 A particular variety the French inflame (6)
15 Reduce sail in a chain of rocks (4)
16 Periods of less than 60 minutes after 6 (5.5)
19 Tune the last word to a continuous glide from one tone from another (10)
20 Stop a race (4)
23 Security from fat? Yes! (6)
25 Chinese bureaucrat (8)
27 Sounds as if Popeye's girl friend could be dressing (5-3)
28 Wrongly routed in a by-pass (6)
29 Having special gifts and money to put to editor (8)
30 Mad people talk endlessly (6)

DOWN

1 Drink with dear French instructor (7)
2 Concerning animal and vehicular defect (9)
3 Put your head in grate and spin (6)
5 A sign of sorrow and rage (4)
6 Might din be created in pitch darkness? (8)
7 Wanderer and mother in sleep (5)
8 Title of the French game (7)
11 Put m-me in star? (7)
14 Head gear for London apprentice? (4-3)
17 Speak at the greatest length in the extreme (9)
18 Face article on a complete mythology (8)
19 Ticket entitling one to return and faint (4,3)
21 Pit soldiers left in a type of water (7)
22 Stick notice in this place (6)
24 Ruffle force leader over a small trench (5)
26 Fruit tree or what it may need (4)

Solution to Puzzle No. 4,584



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THE ARTS

Covent Garden

Ashton Ballets

by CLEMENT CRISP

Sadler's Wells Royal Ballet is in residence at the Opera House for the next ten days as part of our national company's golden jubilee celebrations. As an opening programme on Tuesday, two Ashton works made for the troupe were on view—both tributes to the youthfulness that has ever informed the SWRB style—*Sinfonietta* and *The Two Pigeons*.

Sinfonietta is a rarity in the repertory: until its recent revival for the Royal Ballet School, we had not seen it for several years, and its return is welcome. It has been given a new and austerely effective set by Peter Rice, but the accompanying costumes for the two outer movements introduce tunic tops for the dancers which effectively distort the outlines of their bodies—no good thing. The score is Malcolm Williamson's rather dry orchestral Sinfonietta: it has a quick-ticking vivacity in the *Toccata* and *Tarantella* that open and close the work, which Ashton masters with brightly accented allegro dances. These are done with brio by the SWRB dancers—Roland Price exceptional in the first movement—but the heart of the piece is in the lunar evolutions of the Elegy.

This involves a ballerina, Marion Tait, manipulated by five men: borne aloft on their arms she sails like an astronaut floating in space, or like Ondine carried by "invisible" cavaliers in the vision scene in Ashton's lovely ballet; brought to earth, she forms the focus for quincunx patterns made by the men of constantly shifting ingenuity that seem a further extension of the *Monotones* manner. The revival of *Sinfonietta* would be important were it only to have restored this fascinating sequence to the stage. But it is more than that: the ballet taxes its cast in an essentially English-style clarity and neatness of rhythm and step which are vital characteristics of our dance identity.

The Two Pigeons tells us about those qualities of lyricism and dramatic sensitivity that are no less important aspects of our native dance manner. They were generously on view in the readings of Marion Tait, heart-touching as the girl, and Carl Myers, all roving eyes and remorse as her errant lover. I do not recall the final duet more sweetly done since the early performances by Lynn Seymour and Christopher Gable. The dangers of the gypsy life were incarnated by Margaret Barbieri, eyes and gold fringe flashing, and by Alain Dubreuil, with the surge of Ashton's dances and Dupont's superbly designed skirts as potent advertisements for Romany life and couture. *Pigeons* receives a run of five performances during the next fortnight: it is well worth getting to know.

*

The Royal Liverpool Philharmonic Orchestra is owed an apology: gremlins somehow suppressed the orchestra's home town in my admiring reference to their playing at Covent Garden last week.

Leonard Burt

Carl Myers and Marion Tait in "The Two Pigeons"

Wigmore Hall

Ernst Haefliger

Ernst Haefliger sang *Die Winterreise* on Tuesday with a fortepiano, as on his recent recording—this time a Carl Schmidt piano about 150 years old, like Schubert's song-cycle itself, and with Roger Vignoles playing it. The light clear tone of the instrument is peculiarly apt for *Winterreise*: there is a suggestion of congealed ice, and a base register too frail to tempt the accompanist into operatic thunder. Besides, Haefliger is 61, and the fortepiano permits his unfailing musical command to assert itself without taxing his present vocal estate. It is still a voice of great distinction; if quick runs were only suggested, and the lowest notes just implied, there were climaxes above the stave where Haefliger's tenor had the pure, concentrated intensity of old—not for display but for faithful expression, and extraordinarily poignient

Mr Vignoles kept the accompaniment impeccably to scale. As usual he was a scrupulous partner, he allowed himself a few small pictorial touches, but left the foreground entirely to his singer. Until late in the cycle, their tempi were generally as brisk as the timbres of voice and instruments naturally invited—not hasty (unless in the very first song) but steady-paced and notably articulate. Haefliger knows in any case exactly how to transmit the sense of his texts without overt vocal acting, and here his sensitive line carried the words with perfect elegance.

Once or twice I was puzzled: by a wayward "Wegweiser," for example, too unsteady to make audible its connection with the opening song, and a "Wirthshaus" where Vignoles sounded unconvinced about his reading. The continuous power of the whole performance was remarkable (*there was no interval*); and about many a song Haefliger's refined conviction left no room for argument. A detailed comparison of this interpretation with Souzay's, last year in the same hall, would throw up rewarding lessons. Souzay's *Winterreise* was dark and grief-steeped, though of immaculate poise; Haefliger's was a matter of quiet, lucid despair, refracted in every gentle phase.

DAVID MURRAY

Festival Hall/Radio 3

Dorati's Schubert

Dorati introduced the Great C major symphony, which was the finale and pièce de resistance of his Schubert programme with the Royal Philharmonic Orchestra on Tuesday, with an hors d'œuvre of incidental and operatic excerpts. Such conflations, sweetie-boxes of bits and pieces transplanted into the concert-place, are really too reminiscent of the furniture-music of Radio 2 (or more exactly, of *France musique* in its more exotic flights) to be treated with concert earnest. *At least on this occasion all of* the music was by the same composer: even if none of it, nor any of the sequences chosen of it, was designed to be heard as it was played.

This Schubert pot-pourri began with the so-called Rosamunde overture (actually written for the melodrama *Die Zauberharfe*, and nothing to do with Schubert's incidental music for von Chézy's play *Rosamunde*), a genuine ballet scene, and one of the lesser Rosamunde Entr'actes (not the great B minor, which could be the missing last movement of the Unfinished symphony). It continued, after nervously scattered applause—where exactly *was one supposed to applaud?*—with the overture to the three-act opera *Alfonso und Estrella*, which is in fact (for reasons too convoluted to explain) the real Rosamunde overture. And ended with three *Alfonso* arias, including the jolly "Es schmückt die wieten Säle" shorn of its hunting-chorus interruptions. Elisabeth Söderström, the soloist, sang all of her notes winningly, and about half of them distinctly: the precise pitch of the rest was as often as not obscured by a vibrato as wide at its outer limits as a whole tone—and though it was never difficult to guess what each note was supposed to be, the effort was not conducive to relaxed listening.

Come at last to the real substance of the evening, Dorati *settled down to give an account* of the Great C major symphony that was on every page justly measured, firmly and unfussily *proposed, unfolded with every* kind of discreet and needful attention. It was good without being in any part either *genuinely expansive or poised* on a knife edge: every kick or slash of the music was genially civilised. The finale was *soberly, properly splendid*—an overwhelming draught of reasonableness in which one missed, just somewhere, even anywhere, a dash of magic.

DOMINIC GILL

BASE LENDING RATES

A.B.N. Bank	12 %
Allied Irish Bank	12 %
American Express Bk.	12 %
Amro Bank	12 %
Henry Ansbacher	12 %
AP Bank Ltd.	12 %
■ Arbuthnot Latham	12 %
Associates Cap. Corp.	12 %
Banco de Bilbao	12 %
BCCI	12 %
Bank of Cyprus	12 %
Bank of N.S.W.	12 %
Banque Belge Ltd.	12 %
Banque du Rhone et de la Tamise S.A.	12½ %
Barclays Bank	12 %
Beneficial Trust Ltd.	13 %
Bremar Holdings Ltd.	13 %
Bristol & West Invests.	13 %
Brit. Bank of Mid. East	12 %
■ Brown Shipley	12½ %
Canada Perm't Trust	13 %
Cayzer Ltd.	12 %
Cedar Holdings	12 %
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Choulartons	12 %
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Consolidated Credits	12 %
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Corinthian Secs.	12 %
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Robert Fraser	12 %
Antony Gibbs	12 %
Greyhound Guaranty	12 %
Grindlays Bank	‡12 %
■ Guinness Mahon	12 %
■ Hambros Bank	12 %
Heritable & Gen. Trust	12 %
■ Hill Samuel	§12 %
C. Hoare & Co.	†12 %
Hongkong & Shanghai	12 %
Knowsley & Co. Ltd.	14 %
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Lloyds Bank	12 %
Mallinhall Limited	12 %
Edward Manson & Co.	13 %
Midland Bank	12 %
■ Samuel Montagu	12 %
■ Morgan Grenfell	12 %
National Westminster	12 %
Norwich General Trust	12 %
P. S. Refson & Co.	12 %
Ryl. Bk. Canada (Ldn.)	12 %
Slavenburg's Bank	12 %
E. S. Schwab	13 %
Standard Chartered	‖12 %
Trade Dev. Bank	12 %
Trustee Savings Bank	12 %
TCB Ltd.	12 %
United Bank of Kuwait	12 %
Whiteaway Laidlaw	12½ %
Williams & Glyn's	12 %
Wintrust Secs. Ltd.	12 %
Yorkshire Bank	12 %

■ Members of the Accepting Houses Committee.

* 7-day deposits 9%, 1-month 9¼%. Short term £4,000/12 months 11.85%.

† 7-day deposits on sums of £10,000 and under 9%, up to £50,000 9¾% and over £50,000 10¼%.

‡ Call deposits £1,000 and over 9%.

§ Demand deposits 9½%.

‖ 21-day deposits over £1,000 10½%.

A golden year at Cannes

by NIGEL ANDREWS

Helen Mirren and Robert Addie in 'Maternal Blessings'

The 1981 Cannes Film Festival was the best in years. Any *suspicions that a demon drought* had descended on the movie world, what with dwindling box-office receipts everywhere and the parched harvest of the Berlin Film Festival back in February, were put to flight. *New films from* Bertolucci, Cavani, Boorman, Makavejev and others rained down on grateful festival goers, and the *Cannes jury were for once* sorely exercised to find awards enough for the number of films that deserved them.

The only serious miscarriage of justice happened right at the top. The Palme d'Or for Best Film went to Andrzej Wajda's *Man of Iron. As a phenomenon* this movie has become an insideout version of *Heaven's Gate*. Just as Cimino's film was damned for reasons almost totally irrelevant to its intrinsic quality—the extravagant budget, the director's alleged monomania—so Wajda's epic tale of Poland's social struggle over the last ten years, from Gdansk 1970 to Gdansk 1980, was lauded more for its subject and its "heroic" anti-authoritarian stance than for its merits as a piece of cinema.

These seem to me to be almost nil. Wayda has cobbled together 2½ hours of political cinema at once self-righteous, chaotic and deafeningly didactic. *The "plot" is a crude flashback*-ridden contraption, in which another Wajda's intrepid reporter-heroes rakes through Poland's recent past seeking the truth and characters from the film's predecessor *Man of Marble* keep popping up—ex-Stakhanovite worker Jerzy Radziwilowicz, TV film-maker Krystyna Janda—as if we were in some endless Iron Curtain soap opera with ideological pretensions.

The crowning vulgarity is to drag in Lech Walesa himself, making a coy cameo appearance *in propria persona* as Best Man at Miss Janda's wedding. The Cannes audience, Pavlovian to the last, cheered his appearance *to the roof; and doubtless* this tangential euphoria, nothing to do with cinematic excellence at all, helped smooth the way for the movie's winning top prize.

Worthier Palme d'Or victors would have been John Boorman's *Excalibur* or Istvan Szabo's *Mephisto*, both of which garnered runner-up prizes. Boorman's movie won an award for "Artistic Contribution" and it is truly magnificent to look at: Arthurian England captured in glowing metallic tones, rolling wraiths of mythic mist and—in the battle scenes—lunging compositions worthy of Eisenstein. The soundtrack, it must be said, is sometimes less happy — dialogue and delivery *teetering on the Monty Python*-esque and the music giving us a crash-course in Wagner—but the visuals are so stupendous that *impatience* recedes. It's like watching cinema born again in British prehistory and baptised in the fire of legend.

Szabo's *Mephisto*, one of the festival's many culture-leaping efforts, was made in Hungary in the German language with an Austrian star. Based on a *roman à clef* by Klaus Mann, son of Thomas, it's the thinly fictionalised chronicle of the rise and rise of a theatrical actor-manager in Nazi Germany. Played with demonic brilliance by Austria's Klaus Maria Brandauer, he's based on the actual boss of Germany's Berlin-based National Theatre in the Third Reich '30s and '40s, whose career rose on the stepping-tones of Nazi conquest.

As a swastika-draped romp through the storm-clouds-are-gathering epoch of early Adolf, *Mephisto* sometimes jackboots about like an up-market, art-house *Cabaret*. But the acting is such a tonic, the story-telling thrust so much stronger than in Szabo's previous work that it really does convince us that for some men there are careerist ruling passions that can swallow politics, and political scruples, whole.

Two odder cross-cultural offerings were Swiss director Alain Tanner's English-speaking *Light Years Away* and Yugoslavian director Dusan Makavejev's Swedish-made, English-speaking *Montenegro*. Tanner has taken British thespians Trevor Howard and Mick Ford to remotest rural Ireland to shoot a fable about a boy who mysteriously apprentices himself to a prophetic old codger. The codger is Howard, he lives in a car-dump and he is building, it eventuates, wings with which to fly. Celtic poetry shot through with the Swiss prosy-precision of Tanner's style produces an eclectic, eccentric and not very electric mixture.

Montenegro is more compelling: at least in its very funny first half. Makavejev lets loose his taboo-tickling surrealism in *an ultra-genteel Swedish family*, complete with live-in psychoanalyst, and the no-sequiturs fly about like beatific bats. ("What's the difference between a chicken?" is a sample off-the-cuff profundity offered by the analyst). Erland Josephson plays the husband, Susan Anspach the wife; and her liberating sexual adventures in an out-of-town nightclub-cum-commune provide the movie's second-half change of scenery. But the real fun is in the refrigerated manners and gentilities of Chez Josephson, where Makavejev notched up some of the biggest laughs in Cannes.

The two much-trumpeted Italian entries in the competition were Bertolucci's *The Tragedy of a Ridiculous Man* and Liliana Cavani's *Skin*. Both begin by bearding Great Themes with a grand offhand wit. Cavani impishly introduces U.S. General Burt Lancaster and Italian Captain Marcello Mastroianni as the spearhead of the Allied invasion of Southern Italy in World War 2. Bertolucci adumbrates the tragicomic possibilities of everyday terrorism as Parmesan-cheese magnate Ugo Tognazzi, strolling on his factory roof, accidentally and powerlessly witnesses the kidnapping of his own son in a distant field.

But both movies then get lost in the thickets of a mapless plot. Cavani's vision of end-of-war Naples, based on a book by Malaparte, is all over the place. The real, the surreal and the neo-realist collide in a three-way snarl-up as Miss. C's multilingual cast try to enact her thesis — that all invasions are oppressive, whether by "friendly" or unfriendly forces —and the plot sweeps up prostitution, child-labour, erupting volcanoes and venereal disease in its capricious but ever-more struggling arms.

Bertolucci's film struggles differently, through a maze of subdued engima and *peneroso* portraiture. The movie never manages to electrify its conundrums—who kidnapped Tognazzi's son? Is he still alive? Is there a plot within a plot?—and Bertolucci's change-of-style with this film (a new cinematographer, *Carlo di Palma*, and a soberer *mise-en-scene*) doesn't seem for the better. Only Ugo Tognazzi, a bearded fuddler touchingly at sea, establishes a rapport with the audience and won and deserved the Best Actor prize at Cannes.

Outside the Main Competition the festival was full of weird and wonderful bizarreries. Hunters after offbeat erotica could have satisfied themselves with a deluge of movies: with Walerian Borowczyck's *Dr Jekyll and The Women*, wherein the director of *Immoral Tales* cuts an astonishing caper with R. L. Stevenson, saucing with spry sadism and eyeblink cutting his usual period rondo through the gardens of female flesh; with Franz Ripploh's *Taxi to the Loo* from Germany, a charabanc, or more descriptively share-a-bang, tour of Berlin gay life conducted by the director-star with no bows to propriety but many to a winning self-deprecating humour; or with Shohei Imamura's *Eijaneika*, batty but unbowed in its slam-bang, 150-minute unspooling of epic civil strife in last-century *Japan, plentifully spiced with* vignettes of prostitute life.

But the most memorable essay in outré erotica was Shuji Terayama's *The Fruits of Passion*. Made by the Japanese director in France and based on Pauline Réage's *Retour a Roissy*, sequel to her famous *Histoire d'O*, it was the most astounding banquet of visual invention in the whole Cannes festival. Terayama's glittering small-change of surrealist asides—he plants *trompe l'oeil* cardboard cut-out figures in the crowd scenes, he makes a character leave her moonlit shadow on the wall when she leaves a room—is like Magritte let loose in Wonderland. And while incidental shots delight and astonish, the plot itself is marvellously forward and coherent: harmonised by its poetic vision of sex as a giant, playful fantasy-land and by the hempen strength of Klaus Kinski's performance as Sir Stephen, a skull-faced sugar-*daddy* to the submissively persecuted heroine.

In a photo-finish, however, my own out-of-competition *flame of the last century. More* with no erotic quotient at all, Manoel de Oliveria's *Francisca* from Portugal. This based-on-truth tale of doomed love narrates the moth-like convergence of two wealthy young men around a famous female flame o fthe last century. More even than Terayama, de Oliveira is a movie "painter" in the best sense: using the screen not as a window onto mere *reality but as a tableau rasé for* the imposing of colour chiaroscuro and compositional élan. De Oliveira is a formalist, a mischievous delighter in ritual—his tirelessly talkative characters group themselves in velvet-rich conversation tableaux, sometimes looking at each other, mostly gazing out to camera in an Old Master trance *as if Velasquez* stood off-screen palette in hand.

But his images are never "static." Like the endless flux of the ocean that bays outside his Portuguese mansions, his movies have a slow Protean pulse, a surging grandeur and a power to build to tragic breaking-point without any showy climaxes. *Francisca* is a masterpiece fresh from a great movie imagination—will some *imaginative distributor* please bring it to Britain?

Croydon Warehouse

Wedding of the Year

by ROSALIND CARNE

A new regime at this theatre, hoping to encourage local audiences, is avoiding all dangerous experiment in its summer season. Judging by the opening production, the tactic deserves to succeed.

Don't be put off by the title. Here is neither Charles and Di treacle, nor an anti-monarchist tirade, but a spirited Croydon comedy in the Ealing tradition, spiced with a dash of pantomime. Writer Ron Rose makes no significant statements on either royalty or marriage. Rather, *he stabs at the classic* targets of social climbing and greed. The butt of the piece is a progressively deranged young Tory MP, Nigel Bender. The poor man works himself into a frenzy on hearing that the first prize in this year's Queen's Award for Industry is a pair of tickets for the big event.

An export-boosting scheme ensues and Bender soon finds some unlikely competition in the entrepreneurial race—his own wife, a pub landlady and her young helper, the borough's chief executive and, of course, a ticket tout. Complications abound, but everything fits together surprisingly well, and there is even a romantic subplot. Be warned, the audience becomes involved willy nilly. *However, there were no com*plaints and I should here admit to sticking up my hand eagerly in order not to be left out.

The competent cast makes its way with calm assurance through a welter of stage business, including a complete *jeux sans frontières*. Particularly fine are John Markham and Joan Morrow, both of whom play two parts, switching with ease from scene to scene. Stephen Earle somewhat overplays the manic Bender, and there is a slight post-interval lag in the proceedings. These two quibbles *aside*, I recommend this unpretentious little show.

Awards for writers

The Somerset Maugham Award intended to enable a young British writer to travel abroad has been won by Julian Barnes for his novel, *Metroland* (Jonathan Cape £4.95). Clive Sinclair for his short stories, *Hearts of Gold* (Allison and Busby £5.95), and A. N. Wilson for his novel, *The Healing Art*. They each receive £1,000.

The Society of Authors Travelling Scholarships have been won by Fay Weldon and D. J. Enright who each receive £1,000.

The Hawthornden Prize (£500) has been won by Christopher Reid for his first collection of poetry, *Arcadia* (Oxford £2.75).

The Tom Gallon Award for a shortstory (£500) has been won by Alan McConnell-Duff for his story, "The Comrades Marathon." Judith Cook has been granted £300 under the terms of the Margaret Rhondda Award for her research into the Effects of the Herbicide 245T.

The Eric Gregory Trust Awards for poets under 30 were *given to: Simon Rae (£3,000)*, Alan Jenkins (£3,000), Marion Lomax (£1,500), Philip Gross (£1,000), Kathleen Jamie (£1,000), *Mark Abley (£500)*, Roger Crowley (£500) and Ian Gregson (£500). The Cholmondley Awards for Poetry *have been won by* Charles Boyle, Roy Fisher and Robert Garioch who share £2,800. Mr Garioch was told of his award *before his sudden death in* April. His daughter accepted the award and will donate it towards The Scottish National Dictionary.

The awards were presented to the winners at a Reception held in London yesterday by the Society of Authors at which the guest of honour was Sir Angus Wilson. In his speech Sir *Angus noted that the amount of* serious literature by British writers on sale at airport bookstalls had seriously declined *over the past decade*. He suggested that the Society, the National Book League and other interested parties should meet to devise some way of enabling foreign visitors to see on display when they arrive in this country the work of its best contemporary writers.

A. C.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1975=100); engineering orders (1975=100); retail sales volume (1976=100), retail sales value (1976=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1980							
1st qtr.	110.0	100.1	100	110.2	158.6	1,379	193
2nd qtr.	106.6	96.8	98	109.2	164.3	1,498	159
3rd qtr.	102.9	93.2	84	108.9	170.3	1,699	120
4th qtr.	100.4	89.2	79	109.0	205.2	2,020	98
Oct	100.9	90.3	76	109.7	179.1	1,893	100
Nov	100.7	89.4	83	109.2	192.8	2,030	96
Dec	99.7	87.8	80	108.4	236.0	2,137	99
1981							
1st qtr.	98.7	87.3		112.7	174.4	2,304	100
Jan	98.3	87.2	88	114.0	177.6	2,228	104
Feb	99.1	87.9		112.9	170.1	2,304	98
March	98.7	86.9		111.5	175.4	2,381	97
April				112.5		2,452	94
May						2,515	92

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1975=100); housing starts (000s, monthly average).

	Consumer goods	Invst. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1980							
1st qtr.	104.5	101.0	123.5	98.9	56.4	92.2	13.3
2nd qtr.	98.1	96.2	123.2	93.1	93.9	85.6	15.2
3rd qtr.	97.0	95.0	117.1	91.2	78.1	82.5	12.5
4th qtr.	93.7	90.1	116.9	85.3	70.3	77.0	10.1
Oct	95.0	92.0	116.0	87.0	67.0	77.0	11.9
Nov	94.0	90.0	118.0	85.0	74.0	79.0	11.2
Dec	93.0	88.0	117.0	83.0	70.0	76.0	7.1
1981							
1st qtr.	93.2	84.4	117.2	80.8	75.4	77.4	10.6
Jan	93.0	86.0	115.0	82.0	69.0	77.0	10.1
Feb	94.0	84.0	118.0	81.0	78.0	78.0	10.9
March	93.0	83.0	118.0	80.0	79.0	77.0	10.6

EXTERNAL TRADE—Indices of export and import volume (1975=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1975=100); exchange reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Resv. US$bn*
1980							
1st qtr.	133.0	126.9	−388	+ 54	− 95	101.0	24.87
2nd qtr.	126.2	126.2	−320	− 88	− 11	103.4	28.15
3rd qtr.	125.1	118.7	+616	+870	−157	105.5	28.08
4th qtr.	126.5	111.8	+1,269	+1,885	+222	105.6	27.90
Sept	121.9	114.8	+344	+429	+ 39	105.3	27.64
Oct	124.5	106.3	+506	+711	+133	105.3	28.03
Nov	129.4	114.6	+410	+615	+ 54	105.6	28.19
Dec	125.7	114.5	+353	+559	+ 35	105.1	27.48
1981							
1st qtr.							28.34
Jan	123.9	101.3	+742	+1,042	+210	106.4	28.39
Feb	121.7	114.3	+314	+614	+231	105.1	28.43
March							28.21
April							28.07
May							26.49

FINANCIAL—Money supply M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); domestic credit expansion (£m); building societies' net inflow; HP, new credit; all seasonally adjusted. Minimum lending rate (end period).

	M1 %	M3 %	Bank advances %	DCE £m	BS inflow	HP lending	MLR %
1980							
1st qtr.	− 4.0	7.2	21.9	+1,725	634	2,049	17
2nd qtr.	− 1.5	10.7	23.3	+3,472	697	1,964	17
3rd qtr.	11.8	36.1	45.2	+6,325	1,090	1,933	16
4th qtr.	8.8	20.0	11.2	+3,207	1,253	1,790	14
Oct	4.3	21.4	19.3	+1,338	520	629	16
Nov	6.7	18.6	7.7	+ 964	285	558	14
Dec	15.6	20.0	7.0	+ 905	448	603	14
1981							
1st qtr.	7.0	9.5	12.4	+1,596	1,081	1,878	12
Jan	5.9	11.9	10.1	+ 420	446	618	14
Feb	13.7	8.6	12.9	+ 201	366	636	14
March	16.4	8.1	14.3	+ 975	269	624	12
April	25.5	13.9	3.9	+1,864	296		12
May							12

INFLATION—Indices of earnings (Jan 1976=100); basic materials and fuels, wholesale prices of manufactured products (1975=100); retail prices and food prices (1974=100); FT commodity index (July 1952=100); trade weighted value of sterling (1975=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	FT* comdty.	Strlg.
1980							
1st qtr.	167.7	197.2	191.4	248.8	247.5	284.47	93.0
2nd qtr.	178.9	201.3	199.0	263.2	255.9	267.45	94.5
3rd qtr.	188.4	201.9	203.6	268.9	259.3	275.13	96.7
4th qtr.	193.3	203.3	206.1	273.9	260.7	269.25	100.2
Oct	189.9	201.4	205.3	271.9	259.3	274.65	99.2
Nov	192.6	203.4	206.2	274.1	260.0	270.56	101.1
Dec	197.3	205.1	206.7	275.6	262.7	262.53	100.2
1981							
1st qtr.		213.8	212.2	280.4	268.7	257.79	101.2
Jan	193.3	209.7	209.9	277.3	266.7	251.88	102.0
Feb	194.7	214.0	212.0	279.8	268.9	259.93	102.5
March	197.7	217.7	214.8	284.0	270.6	261.56	99.7
April		221.0	217.8	292.2	274.2	258.61	99.2
May						255.14	98.8

* Not seasonally adjusted.

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Mrs Williams should stand

MRS SHIRLEY WILLIAMS will have no convincing excuses if she declines to stand as the Social Democratic candidate in the forthcoming by-election in Warrington, Cheshire.

It is true that the new Social Democratic Party might have wished for an easier seat to contest — say somewhere in the south-east — in its first by-election test since its formation. But it is in the nature of British politics that by-elections come about more by accident than design. It is impossible to be certain that any better testing ground will arise in a few months' time.

Mrs Williams is the Social Democrats' best-known figure, even including those already in Parliament. She is also one of the most popular politicians in the country. If there is any single standard-bearer of the new movement, it is she.

Moreover, it would be a curious, even cowardly, judgment that Warrington is not winnable. The Labour majority in the general election was just over 10,000, while the Liberals polled fewer than 3,000. Mr David Steel, the Liberal Party leader, has already endorsed the idea of a common Liberal-Social Democrat front—behind an SDP candidate — at the by-election.

The results of by-elections throughout the country over the past 20 years suggest that kind of sitting majority can be overturned.

At the national level the Labour Party is in disarray and the Tory Government is in difficulties. The time is ripe for a challenge to both of them. Mrs Williams is the Social Democrats' best candidate. She should run.

A balancing act by Mitterrand

ECONOMIC POLICIES have so far been a secondary theme in the election which swept the socialist President Mitterrand to power in France and in the build up to the elections to the general assembly which now follow. The driving force has been a groundswell of sentiment against the old regime personified by President Giscard. The economic statistics after five years of Plan Barre—inflation of 12.5 per cent and, in particular, 1.7m unemployed—gave Giscard little with which to defend himself.

In the weeks since the Presidential election the momentum for political change appears to have been sustained. Far from showing a backlash against the sudden prospect of Left-wing policies, the opinion polls now give the socialist party and its associates 36 per cent of the vote in the forthcoming election. This would be boosted by an alliance with the communists to an overall majority of some 52 per cent.

Challenge

In the run-up to the next election the new team at the Elysee Palace has had to achieve a delicate economic balancing act. On the one hand they have had to produce the gestures of new Government—the increase in the minimum wage and family allowances, the slowing of the nuclear programme, the commitment to nationalisation—needed to keep the pro-Mitterrand wave rolling. On the other, they have had to suppress any signs of economic instability which might cause that wave to break.

So far, despite the grave challenge posed by the soaring dollar and dollar interest rates, the new Government has just about managed to hold an impression of economic stability and continuity together. Its key achievement has been to sustain the franc within its appointed limits in the European Monetary System, despite its slide against the U.S. dollar from FFr 5.34 to FFr 5.58 since the Presidential election.

The measures required here have been an unprecedented lifting of the Bank of France's intervention rate from 13.5 per cent to 22 per cent, heavy use of France's reserves to support the franc, co-operative intervention by the Bundesbank, and a tough set of foreign exchange controls. All these have been reinforced by the appointment of M. Jacques Delors as Economics and Finance Minister, a man of relatively conservative economic instincts who has since stressed his commitment to the stability of the franc.

Yesterday the new Government produced another series of announcements nicely judged to satisfy the requirements both of socialist principles and fiscal responsibility. The minimum wage—a figure of greater political than economic importance—was raised by the predicted 10 per cent, while increases in pensions, housing subsidies and family alowances were announced as well. At the same time the implications of all these vote-catchers for the fiscal deficit were offset by unspecific plans for taxes on wealth, on luxury goods and on windfall profits earned by banks, oil companies and financial institutions. These plans will presumably have a further unhappy impact on the bourse where share prices have already fallen by one-fifth since the new President's victory.

Restraints

For the moment the election is the thing. But beyond it, the old restraints will assert themselves on any socialist economic experiment. France still has to lessen its dependence upon imported energy, whether through nuclear means or not. France still has to fight its inflation, despite the new Government's inclination to reflate. France still has to finance its current account deficit, even if this means that the franc must be defended with painfully high interest rates.

The Socialist Mitterrand will thus follow the Social Democrat Schmidt and the Republican Reagan in learning that the combination of oil induced deficits, recession and inflation leaves precious little room for economic self-expression.

Pointless debate

LITTLE USEFUL purpose was served by yesterday's discussion on public sector investment at the National Economic Development Council. There is no need for yet another committee to look into nationalised industry financing, to consider the Treasury's hypthesis that public investment automatically crowds out an equal amount of investment in the private sector, and to argue over the semantics of the Public Sector Borrowing Requirement. Since Sir Geoffrey Howe took over at the Treasury and imposed a tough cash limit regime, which really made the pips squeak in the nationalised industries, at least three committees, task forces or working parties have crawled over the same ground already.

The questions of theory into which the Treasury will no doubt steer the new committee's deliberations are inherently incapable of resolution. Not only do the conflicting views on crowding out depend on empirical observations which are highly uncertain. It is also an important part of the Government's case that relationships established in past cycles have limited relevance in the new economic environment which it has now created.

To make matters worse, the theoretical debate over crowding out is distracting attention from practical problems connected with public sector investment. Even if there was a serious likelihood that profitable public investment projects would crowd out more desirable private investment in the present deep recession, there would be only one way for Ministers and civil servants to make sensible judgments about whether, say, investment in telephones is more important than investment in Space Invaders. Commercial public investment projects should be required to produce a rate of return comparable to that obtained by private investments. This has always been the theory behind public sector investment appraisal—and it has been repeatedly over-ridden by political considerations unconnected with profits.

Instead of another theological debate about the public sector, what is needed now is a set of policies to ensure that nationalised industry chairmen actually produce the profits which they promise, in advocating their pet investment projects. Controls on nationalised industry investment are necessary not because of macro-economic theory, but because of the industries' poor track record in investment appraisal, in productivity and in the potential abuse of monopoly power. But it is not good enough for Ministers to use past failures as an excuse for hamstringing the public sector. Instead of simply depriving the British economy of potentially profitable investment opportunities, Ministers must devise policies—more competition, new managerial structures, new supervisory mechanism — within which the nationalised industires can safely be given more commercial freedom.

A CHARMED INNER CIRCLE

Canada's capitalist elite goes on an acquisition trail at home and abroad

By Michael Thompson-Noel

KENNETH THOMSON (Lord Thomson of Fleet), 57, and his family, have controlling interests mainly concentrated in three publicly-quoted companies based in Toronto: Thomson Newspapers, Hudson's Bay Co., and International Thomson Organisation.

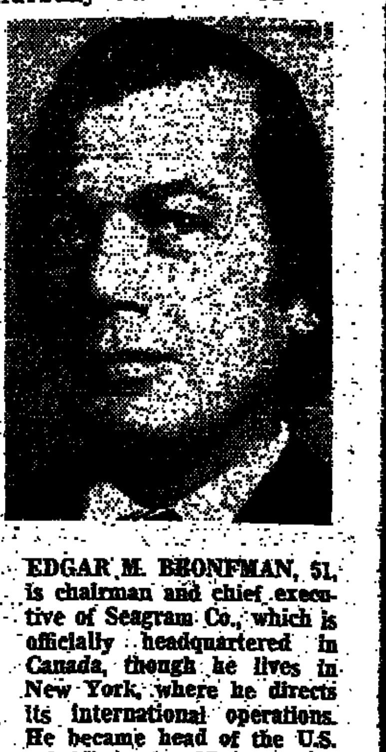
The value of the Thomson holdings has been estimated at C$4bn. The empire includes department stores, newspapers, books, the world's biggest package tour operation and North Sea oil.

In contrast to his father, Roy, Kenneth Thomson is shy and shuns publicity. He doesn't smoke or drink, but he has an art collection.

PAUL DESMARAIS, 54, controls Power Corporation of Canada, which has assets of C$8bn, via his private holding companies. Power's interests include mutual funds and trust companies, life insurance, Great Lakes shipping, trucking, newsprint and numerous other enterprises.

It is said that it is difficult for the ordinary Canadian to exist a week without enriching Mr Desmarais in some way.

Mr Desmarais is a French-Canadian. He has been described as a "corporate gambler on a grand scale who has mastered the free enterprise system to reap its boldest dividends."



EDGAR M. BRONFMAN, 51, is chairman and chief executive of Seagram Co., which is officially headquartered in Canada, though he lives in New York, where he directs its international operations. He became head of the U.S. subsidiary at 27, and was formerly dubbed a playboy until firmly gripping the Seagram tiller in the middle-1970s. His New York office contains Rodin's famous nude statue of Honré de Balzac.

Seagram has a war-chest at its disposal of close on C$4bn. Mr. Bronfman has said his biggest challenges are yet to come: building on what his father, the late Sam Bronfman, originally accomplished.

TO describe Canada is to wrestle with clichés — with vastness and emptiness and bleakness and rain, with forests and oil and prairies and grain. But it is far more than an insignificant country (population 23.7m) made up of lumberjacks, gold-grubbers and the Royal Mounted Police. It is also one of the world's most successful capitalist states.

What is more, the concentration of wealth in the hands of a relatively small number of families and individuals makes Canada almost unique in the industrialised world.

The power of this elite is formidable. And nothing underlines it better than the continuing spate of bids, deals and takeovers that has enlivened the Canadian business scene, sometimes divisively, often spectacularly, since 1978.

These battles have mostly meant the absorption of one giant Canadian company by another, but increasingly they have also involved forays into

A roster of giant shoppers, ready and poised

the U.S. and other foreign markets, as in the case of Seagram's abortive US$2.13bn bid for St Joe Minerals which was eventually thwarted in April by Fluor, the U.S. engineering and construction company.

Under the chairmanship of Edgar M. Bronfman, Seagram, the classic Canadian family company, is hungarily studying further potential acquisitions. But beside Seagram, there is a *roster of giant shoppers, ready* and poised, many of them owned, controlled or significantly influenced by the Canadian ruling class—he dominant inner circle of families and individuals protected by shared attitudes and interests, by marriage ties and cross-directorships. Their drive and ingenuity, even today, is in many cases equal to that of their mercantile forebears.

The most recent manifestation of Canadian family wealth was the extraordinary six-week battle in March for Abitibi-Price, the world's largest newsprint producer — a battle eventually won by Olympia and York Developments, a major property and resources group owned by the Reichmanns of Toronto (principally the brothers Albert, Paul and Ralph). Olympia triumphed, in the end, with a C$600m offer that took its stake to 90 per cent of Abitibi's issued stock, and overcame a joint offer by Thomson Newspapers, part of the empire founded by the late Lord (Roy) Thomson of Fleet, and Nu-West of Calgary.

Apart from Olympia and York the list of top shoppers includes CEMP Investments and Edper Investments, which handle the family interests of the two main branches of the Bronfmans; Brascan, an investment giant in which Edper has a 48 per cent stake; Power Corp., controlled by Paul Desmarais; Thomson Newspapers; George Weston and Hollinger Argus.

In 1976, a study by Jorge Niosi (*The Economy of Canada*) sought to establish exactly who controlled Canadian companies. Foreign-controlled companies were excluded, and a cut-off point was set at a minimum of C$100m worth of assets, producing a list of 146 companies, for 136 of which it was possible to obtain information on share-ownership.

Of the 136, two-thirds were found to be controlled by individuals, by groups of associates, or by families. The remaining third *seemed* to be under senior managerial control, though it was felt that in many of these cases, more trustworthy data might have shown a position of majority control by a small group of shareholders.

"Their money doesn't lie in trust company safes; it's out in the marketplace multiplying itself . . . A labyrinth of family foundations, 'street' names, investment trusts, Swiss bank accounts and income deferment schemes efficiently camouflages *any reckoning of their exact* holdings," wrote Peter C. Newman in The Canadian Establishment in 1975.

Yet the rich, he reckoned, could pinpoint the extent of one another's wealth quite accurately by "a mysterious process of osmosis." On the basis of this he divided the wealthy of Canada into three groups: men and families owning assets worth more than C$100m (the 'centi-millionaires'): the C$50m group, and the C$20m group.

Among the men and families he included in the top group were the Eatons (retailing and other interests, handled via a holding company, Eaton's of Canada): Galen Weston, head of the Weston-Loblaw empire founded by his father, Garfield; Lord (Kenneth) Thomson, son of Roy; and Col. Maxwell Meighen (metallurgist, son of the former prime minister, and chairman of Canadian General Investments).

Then there were the Molsons (Senator Hartland de Montarville Molson, honorary chairman of Molson Companies, belongs to the fifth generation in Canada of the Lincolnshire family that settled in Montreal in 1782 and built Canada's first steamboat, first railway and largest brewery and whose members worshipped at their own church and printed their own currency); Charles Bronfman (chairman of the executive committee of Seagram and chief owner of the Montreal Expos baseball team); and Paul Desmaris (whose Power Corporation *has* assets of C$8bn).

But the charmed Anglo-Saxon inner circle which has controlled major Canadian enterprises for generations has been joined by other elements, in particular by a Jewish bourgeoisie (the Bronfmans, Steinbergs, Loebs, Wolfes, Belzbergs, Wolinskys and Reichmanns, the latter of whom left central Europe in advance of Hitler and moved to Canada in the 1950s by way of Tangier), and a French-Canadian bourgeoisie (the Desmarais and others).

Anglo-Saxons and assimilated ethnic groups were found to be clearly over-represented on the list of companies compiled by

> Canada is almost unique in the industrialised world in that its wealth is concentrated in the hands of a relatively small number of families. Since 1978, a spate of bids, deals and takeovers has underlined the enormous resources they have at their disposal. Now they are turning their attention to the U.S. and beyond.

Mr Niosi; Jewish interests to be well represented, notably in finance, commerce and real estate; and French-Canadian interests, with only 13 companies on the list, including Power Corporation and its eight qualifying subsidiaries, to be markedly under-represented.

Top of the list of the family-controlled or -dominated groups currently playing a starring role in Canada's takeover race is Seagram, the world's biggest distiller, whose chairman and chief executive, Mr. Edgar M. Bronfman, has almost C$4bn available for acquisitions.

There are conflicting views within Seagram as to which broad tack to follow, one side favouring the acquisition of more consumer packaged goods companies (Colgate, Kellogg, Bristol-Myers and Revlon have been mooted)—the other, minerals and real estate. Mr. *Bronfman* has said Seagram would consider buying into anything other than forest products, steel, or nuclear power.

Along with Seagram is CEMP Investments, the Montreal-based investment arm of the family trusts of Edgar Bronfman and his brother, Charles, and their sisters Minda *and Phyllis. CEMP has assets of* more than C$9bn. It holds 34 per cent of Seagram stock, 38 per cent of Cadillac-Fairview, one of North America's largest real estate developers, plus interests in oil, gas and uranium, and a large portfolio of shares in U.S. and other foreign companies.

Edper Investments, controlled by the family trust of the other branch of the Bronfmans, is headed by Mr Edward Bronfman and his brother Peter, who no longer own Seagram stock but control assets as large as those of their Seagram cousins.

Via a two-thirds subsidiary, Edper owns 48 per cent of Brascan, the diversified investment giant; 60 per cent of National Hees (merchant banking and financial services), and, via Carena Bancorp, a majority stake in Trizec (assets C$2bn), the large and aggressively successful North American income property and real estate development company.

Brascan, in turn, is a cash-rich, acquisition-minded investment management company with holdings in natural resources, consumer products and financial services. It owns 84 per cent of Western Mines, all of Great Lakes Power, 12-13 per cent of *Noranda Mines*, 39 per cent of London Life Insurance, 42 per cent of John Labatt (brewing, consumer and agricultural properties) and recently increased its stake in Scott Paper to 20.5 per cent.

At the start of this year, Mr Trevor Eyton, the Brascan president, put Brascan's financial reach at "about C$1.2bn, not including another C$400m Western Mines could deploy if need be."

There is Power Corp., the vast operating and holding company of Paul Desmarais, a French-Canadian who controls an C$8bn corporate commonwealth with reportedly C$500m to invest in oil and gas.

As for the Reichmanns, their previous greatest coup, before gaining control of Abitibi-Price, came in 1979, when Olympia & York acquired a stake in Trizec equal to that of the Edper Bronfmans', via a successful bid for English Property Corporation.

Also in the top group are Thomson Newspapers, along with the Woodbridge Co., which handles the Thomson family interests, and George Weston, whose 42-year-old chairman, Galen Weston, clashed with Lord Thomson in 1979 in a spirited tussle for control of Hudson's Bay (the victor was Lord Thomson).

And there is Toronto's Hollinger Argus, controlled by Conrad Black and his brother Montegu, the modern-day heirs of the great Argus empire of the late John "Bud" McDougald, who until his death three years ago, in Palm Springs, Florida, was regarded as the most powerful man in the Canadian Establishment.

Hollinger Argus is a traded holding company with assets, at last December 31, of C$782m, and revenues, in 1980, of C$87m. Its interests include a 77 per cent stake in Argus Corp., 60 per cent of Hollinger North Shore Exploration, 67 per cent of Labrador Mining and Exploration, and 7 per cent of Iron Ore Company of Canada.

Via Labrador Mining, it controls 36 per cent of Norcen Energy Resources, which has extensive oil and gas reserves; and via Argus Corp., controls 39 per cent of Dominion Stores.

(The significant difference *between Argus now and Argus* as it was concerns its exit from Massey-Ferguson, an interest for which it has substituted its stake in Norcen, which is engaged in oil and natural gas, and minerals exploration. Norcen's income applicable to common shares in 1980 was C$83.5m)

If Hollinger is big, it is also keen to expand, both inside Canada and outside, particu-

The U.S. market has "tremendously exciting prospects"

larly in the U.S., where Mr Black refers to "tremendously exciting prospects."

Despite their deeply ingrained dislike of the Ottawa bureaucracy, few Canadian entrepreneurs, whether members of the charmed inner circle or not, are unlikely to argue too strenuously with the view, recently expressed, of Mr. Alton Cartwright, chairman and chief executive of Canadian General Electric.

He declared: "Canadian manufacturers shouldn't feel sorry for themselves. We have an energy base unsurpassed in the world, all the natural resources we need to supply industry, a highly-educated and motivated population, and a large enough home market to give us an adequate base for expanding into world markets. All we have to do is turn these advantages to our benefit."

The Canadian Establishment, Peter C. Newman. Revised Seal edition, 1979, C$3.95.
The Economy of Canada: Who Controls It? Jorge Niosi, Black Rose Books, 1978, C$5.95.

MEN AND MATTERS

Animal form

So who did win on Derby Day? Shergar, certainly, first past the post for a prize of £149,000 in the big race. A mere trifle, in turn, to the £10m stud fees he may earn for his owner the Aga Khan. But an equally dedicated and lucrative scramble was going in in the marquees around the paddock, where the race was on to win the favours of business clients.

Crown Paints has a tradition of sponsoring sporting events, and cleverly entered itself for the Derby a couple of years back by painting the Epsom grandstand in exchange for two years' marquees. This third year, it willingly paid the costs itself.

Other marquee-owners, like Rockware Glass, declined to enlarge upon their hospitality. "We have £15m worth of clients here," said the nervous executive of a carpet company whose 200 guests enjoyed champagne and lunch in the day's most impressive tent, "but you must not mention our name, because it might be misinterpreted."

A special prize for forward planning must go to BMW (France), whose marquee was there to entertain not concessionaires, but sons of concessionaires.

It was also a winning day for course caterers Trusthouse Forte. Manager Dominic Vedorato and 400 staff served 3,000 bottles of champagne, 700lbs of strawberries, 1,000lbs each of steak and smoked salmon, plus 3,000 full meals.

For the bookies, it was something of a rough ride, with Ladbrokes rumoured to have stumped up two £40,000 bets on the favourite. The grander pitches suffered, while those outside the stand benefited from the public's dislike of short-priced favourites. But I can offer a grain of comfort. The Begum Aga Khan told me shortly after watching her husband's winner romp home that she has recently given up betting.

Yo-ho-ho

"Wealthy Arab ruler, manipulator of world politics" might appear at first sight to be a description of King Khaled of Saudi Arabia, who begins a state visit to London next Tuesday. Unfortunately for the BBC, the words also describe the central character in Harold Robbins's book "The Pirate," which was to have been screened in a two-part adaptation next Monday and Wednesday nights.

So it was at a rather late stage that the BBC recognised yesterday afternoon that the film might be offensive to King Khaled, and postponed its showing, thus sparing themselves the sort of diplomatic storm which surrounded last year's showing on commercial television of "Death of a Princess."

Alas for the BBC, next week's Radio Times still carries the now-defunct programme details. The film, set initially in King Khaled's own Arabian desert, promises an international playboy enjoying a high-life of sex, intrigue and danger.

More embarrassing still for the BBC because of its parallels with "Death of a Princess," the fictional Arab ruler is deeply troubled by his wife's indiscretions. And as if to round off the possibilities of insulting the real life anti-Zionist monarch, "Pirate" is, in a bizarre twist, a Jew by birth.

Entente cordiale

Peter Walker, the British Agriculture Minister and veteran of many fierce cross-Channel battles in the recent lamb war and the continuing fisheries dispute, this week found himself face-to-face with his newest French adversary: Edith Cresson, President Francois Mitterrand's choice as Agriculture Minister.

At the informal EEC Council of Agriculture Ministers in Rotterdam on Tuesday and Wednesday, Walker and Cresson found themselves side-by-side at dinner places intentionally set by their Dutch hosts to afford a thorough introduction.

"Urbane, attractive, switched-on and easy to talk to" were only some of the compliments paid to the 47-year-old Socialist lady from Paris by the Tory delegation from London.

Most impressive of all, it seems, was the fact that, unlike her predecessors, Cresson was wiling to hold forth on complex issues in English.

"Mr Walker was very pleased to be able to discuss the issues openly in English," said one official, who then added with some surprise: "Mme Cresson did not display any of the normal French attitudes to *foreigners*."

The Ministers were even able to discuss with the utmost civility what has become a symbol of Anglo-French disagreement in the context of the Common Agriculture Policy—the dreaded EEC "clawback" levy on British lamb exports which the UK claims prevents it from competing fairly in France.

Apel picking

Hans Apel, Germany's ill-starred defence minister and a bluff Hamburger, has developed a lemming-like instinct for political dead ends. Once seen as a crown price to Chancellor Helmut Schmidt, Apel did a stint as Finance Minister, and since has emerged, thanks to financial and managerial miscalculations in procuring the Tornado aircraft, as one of Germany's most embattled defence ministers.

Now Apel has been given the job of finding a new Lord Mayor of Hamburg. Hans Ulrich Klose, the former mayor, quit after trying unsuccessfully to pull Hamburg out of the controversial Brokdorf nuclear power plant project. Bonn is for nuclear power but the Hamburg Social Democrats are against it. As a result, Germany's star politicians are not exactly queuing up at Apel's door.

The two main candidates have already made clear that they think the job *has built-in* obsolescence — there are state elections next year and not many observers give the Social Democrats a chance. The net result is that Apel may well end up having to choose himself as Lord Mayor. Much depends on the outcome of a parliamentary inquiry into the Tornado muddle, but Apel remains remarkably stoic. As one of his aides put it at dinner this week, "there are worse cul-de-sacs than Hamburg."

In the red

The Stock Exchange Benevolent Fund is proving itself an esoteric investor. The schedule of general fund holdings for 1980 reveals £14,253 sunk into the capital stock of "Standard Oil Co of Indians." A brave attempt, suggests my correspondent, to squaw the books?

Observer

ECONOMIC VIEWPOINT

Productivity: a hint of a silver lining

DIAGNOSING, investigating and prescribing for the English economic sickness has been a lively industry since World War II. Reputations have been made, destroyed and rebuilt on the subject. Coast to coast American lecture tours have been organised around it.

The one quantifiable aspect of the disease has turned out invariably to be the low rate of growth of output—or more strictly, output per head. Other problems such as *stagflation* have been common to many countries; and features such as bad industrial relations have been regarded as contributory causes rather than the disease itself.

To make matters more satisfying still for those who have made a living out of the subject none of the suggested explanations stands up to examination. There is little in comparative international public spending or tax ratios, or statistics of equality or inequality, to distinguish Britain from more rapidly growing economics—as was emphasised in no less than three inconclusive Brookings reports.

But it is the way of problems to give way to other problems, when no one is looking. Is it possible that, now that attention has shifted to unemployment, that the long awaited productivity miracle is taking place? If so, does it mean that economic recovery will bring with it a much larger growth of output than in the past, and that the 3 to 4 per cent annual growth target which used to be promulgated by politicians of all parties, when growthmanship was in favour, will now occur when people least expect it. Or, from a national point of view, will higher productivity be completely dissipated in higher unemployment?

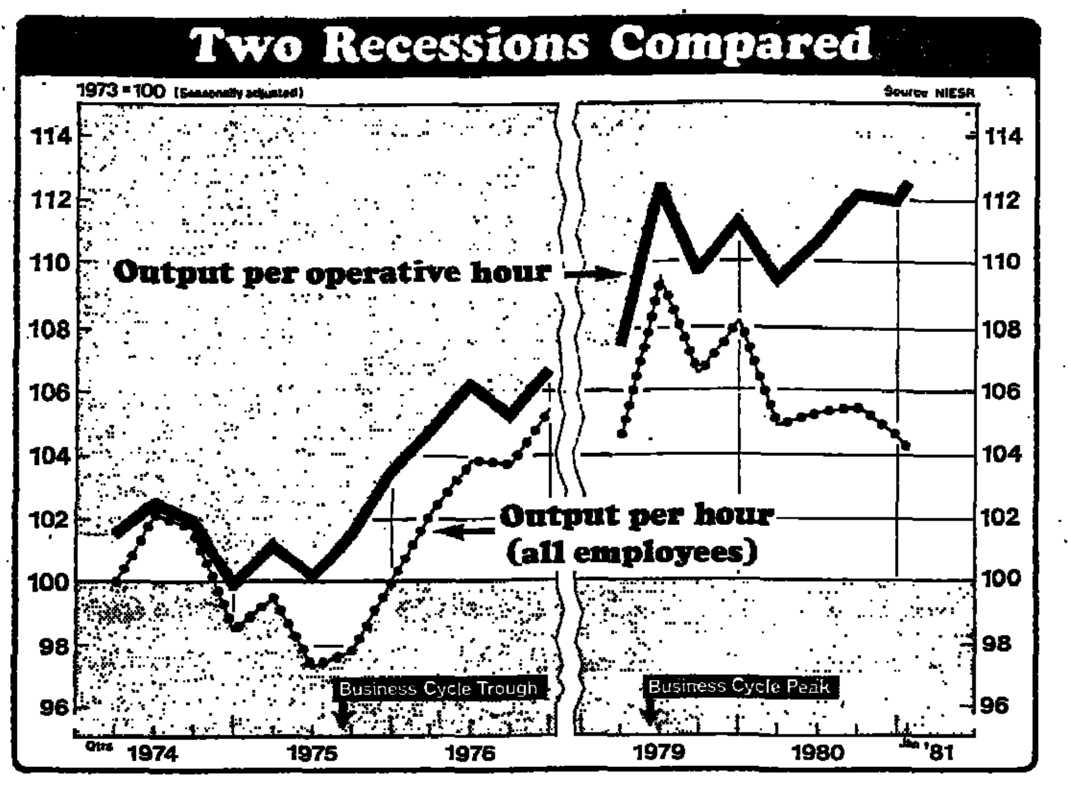
It must be said at the outset that the evidence for a productivity miracle is almost entirely ancedotal for instance, a leading *engineering company talks of* reductions of tens of thousands of workers, reflecting not merely recession but an attack on overmanning. A manufacturer of home and office fittings has turned a loss into a profit by shedding about one-third of his labour force. The manpower reductions at British Leyland and British Steel make almost daily headlines.

Many industrialists can be heard to say, off the record, that the extreme cost pressures arising from the high exchange rate have compelled them to tackle problems that should have been *tackled years ago. Or in more* colloquial terms: "the unemployed were always there, but were previously on our books."

A new attitude to restrictive practices and an improvement *in labour relations is also fre*quently reported. Obstacles to change, which have been there as long as anyone can remember have suddenly melted away. Some employers, at least, are determined never to allow the old attitudes to creep back again. Of course the picture is not uniform. Ford has had its share of disputes and one does not need reminding of the running problems of the printing industry.

Unfortunately worthwhile statistical indicators of national productivity trends emerge only after a lag of several years. The statistical problem is particularly intractable because total manufacturing output has fallen so rapidly in the present recession that even large reductions in manpower have been offset by falls in production.

As the chart shows, experience so far is only slightly different to that of the 1975 recession. Of course estimates of this kind—arrived at by dividing one uncertain figure by another—are frequently revised and we will not know where we are until some way into the next economic cycle.



Bob Hutchison

It is admittedly also true that in every recession employers say that they have shed surplus labour, which they will not re-employ in the next upturn, and then promptly proceed to do so.

There is, however, one set of figures which supports the subjective impression that this time the change is genuine. The IMF index of relative unit labour costs shows a rise for the UK of 43 per cent—which means that British costs rose by that amount more than in its main competitor countries between 1975 and the third quarter of 1980. Treasury corrections for overgenerous IMF allowances of *past* British productivity trends can easily take the comparative British rise to more than 50 per cent.

Estimates of this kind can hardly be taken at their face value. Labour costs in manufacturing in 1975 amounted to 80 per cent of value added (net of stock appreciation). The literal application of the published international cost comparisons would suggest that all that part of the manufacturing sector which is exposed to export or import competition is *either working at a severe loss* or has had to raise prices in relation to competitors to an extent which threatens a complete collapse of sales. Although there have been plenty of complaints and cries of distress from industry they have not *suggested the kind of massacre* which the statistical cost comparisons might lead us to expect.

Many companies have reduced costs in a way that has yet to affect the national averages. They have done so partly by being able to get away with wage increases much lower than the rate of inflation. They have sometimes been as little as 5 or 6 per cent in the most exposed sectors; and in a few cases wage rounds have been quietly passed over or postponed for a few months. But even this "outbreak of wage realism" in one wage round would have been in*sufficient without a large con*tribution from the productivity side as well.

An important qualification is that most of the favourable productivity evidence comes from internationally traded manufactures. It is much less clear what is happening in private services, while public service productivity is almost as difficult to measure as to improve. Nevertheless, at least half the British economy—*and not just* manufacturing—is directly or indirectly subject to international competitive pressure; and the oil sector which does not yet have its true weight in the GDP series is of course one of high productivity.

No economist of any school of thought would ever have prescribed a sharp rise in the real exchange rate as a productivity tonic. If the idea had accurred, *he would not have known how* to bring it about, and even if he had, no politician would have contemplated it. As so often, unintended events have had more effect than conscious policies.

If the productivity *miracle is* taken seriously, certain consequences follow. The 1981 Budget documents indicated an average annual growth rate over the period from 1980 to 1983 of ½ per cent per annum. Even in the expected recovery years of 1982 and 1983, annual growth is put at only 1½ to 2 per cent. At the same time seasonally adjusted adult unemployment was expected to level off at 2.7m in 1982, making it likely that the "headline" figure would at some stage rise above 3m. If productivity is rising faster than past trends suggest, the combination is impossible. Either output will have to rise faster or unemployment will be higher still.

Despite all protestations to the contrary, a "demand stimulus" is neither necessary nor even helpful in securing a *sustained faster rate of* real growth. Total spending or money GDP—which is, in effect, the national cash limit—is rising at a good 10 per cent per annum. Despite the waste of 1 per cent of this in absorbing an increase in the Excise duties above the requirements of indexation, monetary demand is still growing sufficiently fast to meet any remotely feasible real growth rate.

The proviso of course is that the extra spending is not dissipated in inflation. The requirement here is not ministerial speeches on wage restraint, which everybody knows by heart, but action on the institutionalised pricing of people out of work, which is at its very worst in the over-centralised bargaining units of the public sector.

There is unfortunately a chance of a sharp fall in sterling generating a temporary economic recovery, accompanied by a temporary improvement in competitiveness, later to be dissipated by more inflation. If that occurred the cost pressures *would recede and some of the* apparent productivity improvement could disappear with recovery.

To avoid such a development the Government may have to postpone its hopes for lower in*terest rates and remember (a)* that British rates are now low by international standards, and (b) that there has also been a tendency for real interest rates (ie interest rates adjusted for inflation) to rise worldwide — *which is much more likely to* reflect a growing shortage of capital than merely the monetary policies of the U.S. Fed.

There is one sophisticated criticism of the view that the widely reported improvement in manning makes possible a more rapid growth rate. The argument is that, faced with a cost squeeze, employers tend to get rid of their least productive workers and to hang on to their best ones. The potential output of those out of work is not thus comparable, on average, with those who have remained in employment. It therefore follows that the wage at which it would pay to many of *those now* out of work is very low by prevailing union standards. Such a dichotomy both aggravates the social problem of unemployment and makes it *more difficult* for their potential contribution to output to be realised.

My own view on the main issue is that dismissal procedures, union agreements and the sheer panic in which some of the manpower *cuts* have been made, will have made it very difficult to ensure that the cuts have been confined to the least productive workers. Whatever may be true on average, there must be many people of potentially high productivity among the jobless total.

So long as the surplus labour force was tied down in workshops, factories and offices, there was little chance of its *adding to the nation's produc*tive effort. It is now in a position to contribute to increased national output if only a way can be found of pricing the unemployed back into jobs. That is now the major task of *economic policy.*

There is however no point in pressing the Treasury, which has been bitten badly by excessively optimistic growth projections in the past, to revise upwards its medium term *real output forecast*. All that it can hope to influence directly by its own policies is the total national cash outlay or money GDP. If it can get this right, it can do no harm if its guesses about real output turn out to be a *shade pessimistic when the final* statistics arrive.

Samuel Britton

Letters to the Editor

Paying the agents

From Mr A. Smallbone

Sir,—I have been a member of Lloyd's for over 20 years and my marine, non-marine and aviation agents are all different and all managing agents. No "members' agent" intervenes and no known advantage would accrue to me if one did.

Fisher did not recommend that members should not be able to go direct to a managing agent, and the proposal that names should be compelled to burden themselves with another intermediary is surely based on a profound misconception. Fisher did say that the relationship between names and agents and names such clauses and so it is.

The problem is that agents take a commission on profits while losses must be funded by members: while the underwriters who write for those members would not dream of writing a binding authority which did not contain a profit commission deficit clause, when it comes to agreements between agents and names such clauses are the exception rather than the rule.

There is no sound reason of principle why this should be so: it simply reflects the disparity of bargaining power between the members who are numerous but unco-ordinated and the agents who are few but organised.

The result is that if an agency declares a profit of £1,000 per name in year one, a £2,000 loss in year two and a £1,000 profit in year three, the shareholders in the agency will enjoy—without having put any underwriting capital at risk—a profit over the three-year period, although the names (because part of the profit will have been paid away as commission to the agent) will have made a loss. This may militate against efficient management: an agency who "gets it right" and declares a nil result in three successive years may make less money for its shareholders than one who "gets it wrong" and (perhaps through underestimation of reserves needed on closing year one) declares a profit in one year and a loss the one after. With a profit commission deficit clause this would not happen, losses on years of misfortune being carried forward and offset in future years of profit.

That agents should participate in profits *on a percentage* basis is an anomaly anyway: it is not agents but underwriters who make profits—or losses. The true function of an agent should be an administrative one, and like other highly skilled professionals—auditors and registrars say—they should be remunerated by fees only: let the underwriters have a profit commission, but only with a deficit clause.

Alan Smallbone,
30 Temple Fortune Lane,
NW11.

The Lloyd's Bill

From Mr. B. Maxwell.

Sir,—There appears to be a campaign being conducted through *your* correspondence columns to negate some of the main recommendations of the Fisher report. Much play has been made of the fact that the external members of Lloyd's agreed to the Bill as presented by Mr. Peter Green at the Albert Hall. At that meeting any proposed amendment regarding indemnity against litigation was rejected by the chairman with a request to accept the Bill as a whole. This stratagem has been used by protagonists of the Bill as it was then, when it was very much against the wishes of the majority of the external members.

We do not know how the committee of Lloyd's will present the amended Bill to Lloyd's members for their approval. I *would plead, however, for fair*ness and justice and that each item to be voted upon should be presented separately and no attempt be made to carry a vote on one item on the back of another.

B. John Maxwell.
Maxwell International Medical Advisory Services.
Brettenham House,
Lancaster Place, WC2.

Lack of figures

From Mr. D. Carr.

Sir,—In my attempts to *simplify the crux of the civil* servants' pay problem so that all who read my comments might understand, I seem to have released upon this column a veritable deluge of inspired and purportedly educated replies. Please note, however, *that I did* remind readers of the "incomprehensible statistics" being bandied around, or worse still—the omission of same; and did some readers fall into the trap?

Mr. Goldman of Blackheath (May 29) positively fumed at my index linked "chestnut" which the Secretary of State for Social Services revealed as already covering over 64 per cent of the total number of occupational pensions and should be extended to the remainder. Sir Bernard Scott in his report added that the non-industrial civil service is a prime example of arrangements being made to ensure that those with good pension schemes pay a fair price for them. Recognising that these arrangements are not properly understood by many people he explains that the civil servants' contribution at around 8 per cent is roughly twice the average contribution in alternative schemes. So, Mr. Goldman, you too can have an index linked pension—if you are prepared to pay for it! As for job security—well the final proposed percentages of redundancies *already in hand in the* Ministry of Defence are of a much larger order than the national average. No security here I'm afraid.

Plunging straight in the statistics game on June 1, Mr. J. Underwood quoted a minority technical institution "...of Electrical Engineers"—from memory? Sad to say a principle he has failed to recognise is that such comparisons must be "like with like" and not seemingly plucked at *random* from the somewhat loosely worded conclusions at the end of a complex and succinct document.

Surely the first prize for *misinterpretation in the pursuit* of political points must go to Mr D. Easson (June 1) who: (a) assumes that I am not aware (with much suffering, it seems!) that historical pay data is uprated by a percentage which bears some relation to inflation over a six-month period; (b) ignores the fact that the uprating is still orchestrated by the same independent unbiased committee of agreed credibility and integrity whose task criteria includes that taxpayers' money (that includes mine too) is protected and that civil servants are not paid too much; (c) suggests with inventiveness that the civil servants' pay "may" leap-frog ahead of his private counterpart. Did he read the official civil service department memo issued in October 1980 proclaiming for the world to see that "Over the last five years, pay increases for the non-industrial civil servant have been below the average increases for all workers (Civil Service 87 per cent, 100 per cent outside)"? Please note that since then, the private sector have had pay rises averaging in excess of 10 per cent! And finally; *(d) misleads readers to believe* that the uprating factor "appears" to be more than the difference between 7 per cent and 15 per cent.

This year, the results of the pay research unit proved to be *as* embarrassing to the Government as the Scott report. We do not know the recommendations because the PRU findings have been "locked away" with a refusal to reveal the contents. You can be sure that if those findings recommend a mere 7 per cent they would have been published. Indeed, if they recommended 10 per cent or even 12 per cent I suggest that they would still have been produced and negotiated without fear of ridicule. The answer is, of course, that the PRU have recommended rises of the order of 23 per cent—a "leak" figure—which has some similarity to the percentages of 10 per cent plus 13 per cent in *(c)*. That is *why* the Government is embarrassed. Head in sand it pursues the extremes of dogmatism with a tenacity born *of fear of exposure of its* ineptitude as an employer.

We know it's in trouble—we know that a rise in pay for 500,000 employees can mean the difference between government success or failure. It does not, however, follow that because the cabinet cannot manage within their budget, that they should isolate those 500,000 defenceless, usually loyal and passive civil servants for the same fate!

David J. Carr.
8 Preston Avenue,
Gillingham,
Kent.

Civil service pay

From Mr. J. Mapley.

Sir,—In my earlier letter on civil service pay I asked if the chairman of the joint union committee would furnish us, the public, with the average salary rates for male civil servants at, say, ages 35, 45 and 55.

He replied that he was unable to provide these figures. If he is unaware of current rates *how on earth can his committee* put forward a realistic claim?

My reason for the specific request is that probably around 40 per cent of CS staff are in the lower age groups and the average overall pay-rate throughout the service, stated by the claimants to be about £6,500 is totally unrealistic.

The immense numbers of young female typists, male and female junior clerks, distort the picture when it is obvious that from 30 years of age upwards, annual increments, semi-automatic promotions, in addition to regular pay awards will reveal a totally different picture than the convenient rate of £6,500.

Bear in mind that most skilled craftsmen, *whose ability in*creases over a lifetime, are devoid of the opportunity of increasing their relative pay after their 20th birthday—and no last minute substantial promotions for them to enhance already higher pension expectations by virtue of average pay over the 12 months prior to retirement being the basis for pension calculations (thereafter indexed).

We are now in for a torrent of futile gabbling from "experts" on the question of a formula for 1982 (onwards) CS pay awards. Surely it is so simple to devise a fair method that negotiations are superfluous. Treatment of all public servants should come at the end of the queue, by then the national average percentage increase will be known and this backdated six months plus, say, 2 per cent "waiting time" would seem reasonable to the tax and *rate-paying community.*

Jno. Mapley,
158, Victoria Road,
Fulwood, Preston.

Sailing away on Rutland Water

From the Press Officer, Rutland Sailing Club

Sir,—Your Regional Affairs Editor (May 29) is rather less *than well informed* if he really believes that "Rutland Water has had an impact in inverse proportion to its size" and can suggest it is relatively unknown even locally.

As far as the sailing world is concerned, *there can be no* doubt of the national and even international impact of Rutland Water. Rutland Sailing Club has been sailing here for just over 5 years, and already we are claimed to be one of the biggest *(if not the biggest)* sailing clubs in the country, with more than 800 members from a very wide catchment area — London, Birmingham, Sheffield . . . and even beyond.

We have already hosted national and European *championships* in a number of classes as well as Olympic classes regattas and we are used as a training base by the RYA, as well as running a large number of major open meetings. This year's calendar includes *six* RYA training week-ends and *some* twenty open-meetings, several with championship status, which attract entries from all over the country. For instance, our regatta over the late spring Bank Holiday attracted 179 entries from 36 clubs as far away as the south coast and Scotland.

In fact, our impact on the sailing world has been almost *embarrassingly* great, *and we* are reluctantly having to turn down many requests from class associations to hold their events at our club, there simply are not enough weekends to accom*modate them all,* though we still cope with a few more mid-week events.

Richard Lustig.
Rutland Sailing Club,
Gibbet Lane, Edith Weston,
Oakham, Rutland.

Strength of a currency

From Mr L. Jackson.

Sir, — Will you kindly allow me to reply to Mr Prideaux (May 30)?

West Germany's former success was due to starting from scratch, hard work and rational attitudes, the last two of which could be termed non-price (ie, social and political) factors. I agree that such factors are evaluated in trading surpluses. Foreigners demanded D-marks to pay for their imports from Germany and pushed up the price of the D-mark.

The German balance of payments is now negative, not because the Germans are less industrious or have become irrational, but because (for the reasons outlined in my letter on May 21) they have to produce more exports to match the UK's oil advantage. The relevance of non-price factors in this situation escapes me.

Mr Prideaux states in his last paragraph that if the oil is left *in the ground, the demand for* sterling will diminish. I would have thought it obvious that the strength of sterling derives both from that part of the oil asset produced and sold—which gives an export advantage to the UK — and from that part of the asset remaining in the ground, which ensures future supplies (a six months' supply of oil would not do much for sterling).

Certainly, lower oil costs for the UK make sterling strong, which — subject to interest differentials — attracts funds to London, while oil sales across the exchanges increase the demand for sterling. But can Mr Prideaux say precisely at what point a falling-off of oil revenues would reduce inflows and weaken sterling?

I suggest it would be at the point — which is why I introduced the unsatisfactory Liberal *position into my first letter* — at which the UK gratuitously throws away its saleable surplus and export advantage by cutting oil production. Sterling would tumble, but what a way to bring it down!

Leonard A. Jackson.
Caritas, Heathside Lane,
Hindhead, Surrey.

What a union endorsed

From Mr P. Willsman.

Sir, — Roy Grantham (June 1) is technically incorrect when he states that the 1981 Association of Professional Executive *Clerical and Computer Staff* conference endorsed the executive council's report on the 1980 Labour Party conference. Rather, resolution 72 was taken by conference as an amendment to that particular section of the executive council's report and it was carried. Thus, in effect, the executive council's report was endorsed as amended by resolution 72. And it was resolution 72 which included the paragraph in question — "the manifesto to be drawn up by the national executive council and Parliamentary Labour Party, but final approval to be by the NEC." Nevertheless, *since Roy Grantham* seems to be inferring that future APEX delegations will support resolutions that are in line with resolution 72 there is no harm done.

To put Roy Grantham's mind *at rest, I certainly do not deny* that the 1981 APEX conference carried the electoral college which would give the PLP 50 per cent of the vote, as well as supporting the collective leadership of Michael Foot and Denis Healey.

Peter Willsman.
322b, Plumstead High Street,
SE18.

Today's Events

GENERAL

UK: Oxford Union debates "This House would support the Social Democrats" with Mrs Shirley Williams, Mr Merlyn Rees MP and Mr Leon Brittan, Chief Secretary, Treasury.

Overseas: EEC Steel Council meets, Brussels.

Mr Menahem Begin, Israeli Prime Minister, meets President Anwar Sadat of Egypt, Ofira, Sinai.

PARLIAMENTARY BUSINESS

House of Commons: British Nationality Bill remaining stages (final day).

House of Lords: Transport Bill, third reading.

Bill, committee. Fisheries Bill.

Select Committee: Energy. Subject: North Sea oil depletion policy. Witnesses: Energy Department and Treasury, room 6, 4.15 pm.

OFFICIAL STATISTICS

Vehicle production (provisional May).

COMPANY MEETINGS

Amalgamated Metal, Winchester House, EC, 10. British Dredging, Royal Hotel, Cardiff, 11. Davies and Newman, Great Eastern Hotel, EC, 12. Dixor-Strand, Cutlers Hall, EC, 11.30. J. E. England (Wellington), Charlton Arms Hotel, Wellington, 12. Francis Industries, Great Eastern Hotel, EC, 12. Hopkinsons Holdings, Great Eastern Hotel, EC, 12. Hunting Petroleum Services, 243 Knightsbridge, SW, 12.30. Ladbroke Group, 20 Aldermanbury, EC, 11. Lilleshall, St George's, Telford, 12. London and Continental Advertising, Great Western Royal Hotel, W, 10. Lunuva (Ceylon) Tea and Rubber, 1 Great Tower Street, EC, 12. Pentos, 247 Euston Road, NW, 12. Austin Reed, 16 Sackville Street, W, 12. Tilbury Contracting, St Ermin's Hotel, SW, 11.45.

Coalite Group improves to £21.9m

PROFITS OF the Coalite Group increased in the 12 months to March 31 1981, the pre-tax figure emerging at £21.86m, compared with £20.53m. *Turnover* also improved, rising from £334.71m to £358.15m. At the interim stage taxable profits were £990,000 higher at £7.35m.

A final dividend of 2.8p (2.56p), on the capital increased by the rights issue, brings the total up to 4.16p net—a rise of 0.31p.

The surplus was after net interest receivable of £536,000 (£587,000) but was subject to tax of £2.19m (£5.84m). The tax figure was reduced by £2.86m as a result of the new stock relief provisions.

At the attributable level profits came through at £19.67m (£14.69m) out of which dividends absorb £3.58m (£2.84m). Stated earnings per 25p share rose sharply from 19.03p to 24.01p.

Current cost accounting reduces the pre-tax figure to £13.05m and on the same basis earnings fall back to 13.25p.

The group's principal activities include the production of reactive solid smokeless fuel, oil refining and chemical manufacture, fuel distribution, vehicle building and distribution, transport, warehousing and builders' merchanting.

● **comment**

Given the mild winter weather, customer destocking and a 10 per cent drop in volume on the fuels side, Coalite has not done too badly with its 6½ per cent pre-tax rise. The vehicles business suffered along with the rest of this sector; vehicle distribution profits were probably more than 50 per cent lower. Likewise, builders merchanting earnings declined. What is now intriguing about Coalite, however, is the group's intention with regard to its cash balance, based on last year's £10.9m rights issue. The money has not been needed for oil exploration and no major acquisition is imminent. Meanwhile, the total net dividend has been put up 8 per cent, yielding five per cent at yesterday's 120p, up 8p. The shares trade on fully taxed p/e of 9.5 and an actual multiple of 4.9—a reasonable rating, but the second figure is coloured by an unusually low tax charge.

Rights result

Acceptances have been received in respect of 94.6 per cent of the 4.57m shares of Amalgamated Power Engineering offered in a one-for-three rights issue.

Marley cut to £5.06m half-time

PRE-TAX profit of Marley fell from £10.38m to £5.06m in the six months ending April 30, 1981. After tax of £3.31m compared with £3.33m, net profit was considerably lower at £1.75m (£7.05m).

UK sales fell from £107.64m to £101.63m, but this was offset by overseas sales, up from £58.23m to £64.8m, giving a total of £166.43m (£165.87m). Earnings per 25p share were 0.7p (3.4p).

Commenting on the figures, the Board says UK trading during the half year remained depressed with public sector housing at an all-time low. Consequently, demand for its building products was lower than in the corresponding period last year.

It says major reorganisation last year has had largely beneficial effects. In the UK, Marley Floors, Marley Foam and Wallington Weston all showed increases in profitability, while in the U.S. Ingrid traded close to break-even.

The interim dividend is effectively unchanged at 1p net per share—last year's total adjusted amount of 2.25p was paid from pre-tax profits well down from £22.07m to £15.03m.

In their annual statement the directors said that in the UK *industries which the group is concerned with*, the going would be tough in 1981, while market conditions in France and Germany were likely to be less buoyant.

They were confident, however, that investments they had and would be making would show a continued increase in earnings and dividends.

Trading profit for the six months was £10.12m against £13.76m, and was split as to: UK £4.03m (£8.27m), and overseas £6.09m (£5.49m). Interest charged increased by £1m to £5.91m, and the pre-tax figure included associates share, down from £1.53m to £852,000.

The attributable balance came through at £1.5m (£6.78m) after tax, and minority interests of £247,000 against £258,000.

Lex, Back Page

HIGHLIGHTS

Lex looks at the foreign exchange markets, where sterling *fell steeply with a drop of more than two cents on the day* before discussing the large transatlantic equity raising of $900m for American Telephone and Telegraph. Lex briefly considers the figures from Marley—a profits slump from £10.4m to £6m—and looks at the latest developments in two *takeover battles, Thos W. Ward for Tunnel and S. and W. Berisford for British Sugar.* On the inside pages the latest figures from high street electrical retailer Comet come in for comment. Yesterday the shares of the Myson group, where Barclays injected money last April, were suspended pending *a takeover announcement.*

Alfred Dunhill profits plummet to £2.8m

RESULTS of Alfred Dunhill have continued to be adversely affected by exchange factors, high dollar interest rates, inflation and the worldwide recession. These factors have resulted in pre-tax profits falling from £6.47m to £2.84m in the year to March 31, 1981. On a CCA basis there was a pre-tax loss of £9,000 compared with profits of £3.17m.

There is a nominal increase in the final dividend from 5.99018p to 6p, but the net total is down from 12.24687p to 10p—last year's total included a special second interim dividend of 0.25672p for the year to March 31, 1979.

Turnover was down from £65.55m to £61.26m.

There was a tax credit of £377,000 (charge £1.88m), and after minority losses of £330,000 (gains £243,000) and extraordinary credits this time of £1.19m, attributable profits were slightly higher at £4.74m against £4.34m.

Tax comprises a Corporation Tax credit of £50,000 (charge £258,000), overseas tax of £951,000 (£1.48m) and transfer from deferred tax of £1.28m (£145,000 transfer to). The transfer from deferred tax includes release of £1.33m in respect of UK stock relief relating to previous years.

Extraordinary items consist of profits on disposal of two subsidiaries and of the investment in Asprey and Co., jeweller.

Stated earnings per 10p share before extraordinary items were down from 51.4p to 42p. Dividends absorbed £840,000 (£1.03m), leaving profits retained higher at £3.87m (£3.3m).

Earnings on a CCA basis were down from 18.7p to 9.8p before *extraordinary items.*

The board says group liquidity improved appreciably during the year.

Alfred Dunhill, manufacturer, retailer and distributor of smokers' requisites and luxury fashion products, is a subsidiary of Rothmans International.

● **comment**

Dunhill's decision *to pay the* same 6p final as last year after cutting the interim probably says more about the company's liquidity than about trading. The second half does, indeed, go a little way to make up the lost ground: pre-tax profits for this period were virtually halved, but in the first six months the drop had been a more startling 64 per cent. In the face of adverse currency movements, and a subdued world appetite for luxury goods, Dunhill nevertheless has had more scope for realising assets than increasing sales. The sale of its stake in Asprey's has been followed by the disposal of Collingwood, the Conduit Street jeweller; restricting the trading loss from Collingwood to the first nine months will have produced some of the difference between the two halves' trading. Dunhill has also disposed of a pipe-tobacco subsidiary, having come to a new licensing arrangement with its parent Rothmans. The shares have fallen by more than a third in the past year, in line with earnings, and at 192p trade on a fully-taxed p/e of 9.4 — very much in line with other tobacco shares. The 13 per cent yield is an evident prop.

Racal sale of Decca TV factory halted

BY JASON CRISP

RACAL'S sale of the Decca television factory in Bridgnorth, Shropshire, to Tatung, the Taiwanese company, has been called off at the last minute. Both companies blame the other for the breakdown in negotiations.

Racal's shares slipped 5p in the market to 365p on the news.

After lengthy discussions the two companies agreed to the sale of the three Decca factories in Bridgnorth in February this year. The factories were to change hands on June 1. Yesterday morning Racal told the 600 employees that the deal was off and that they were redundant.

Racal blamed Tatung for trying to renegotiate a binding agreement at the last minute. Racal described Tatung's behaviour as "unheard of, and totally unacceptable" and added that it considered Tatung in breach of contract.

However, local MP Mr. Eric Cockeran (Ludlow), who visited Taiwan to encourage Tatung to take over the factory, accused *Racal of brinkmanship and acting in a high handed manner.*

Racal, which took over Decca last year for £101m, has always said it would sell the television *side of the company. In* February it was announced that the business and fixed assets would be sold for £1.3m and Racal would retain "net current assets" including unsold stocks worth about £15m.

The disagreement between the two companies appears to be over Racal's liability for any future redundancy costs. Although 490 people have left or been made redundant since Racal took over Decca, Tatung was to have re-employed the remaining 600.

At the end of last week one of the main unions represented, the Association of Professional Executive, Clerical and Professional Staff (APEX) sought redundancy terms from Racal because Tatung offered worse terms and conditions.

This is believed to have spurred renegotiations between Racal and Tatung. Mr W. T. Lin, head of Tatung UK and son of the company's chairman, had been at the factory for three weeks and became involved in detailed discussions on Monday and Tuesday. Racal says Mr. Lin walked out of the meeting on Tuesday night. Other sources say he was prevented from entering company premises *yesterday morning.*

The sum in dispute is in the order of £100,000. Tatung was only prepared to accept responsibility for any future redundancies from the date of taking over the company. The average length of service is seven years. Racal said last night it would now close the company and pay the remaining employees redundancy.

Blue Circle deliveries down by 20% in UK

Sir Rowland Wright, the chairman of Blue Circle Industries, the UK's largest cement manufacturer, told shareholders at the AGM that the group's performance overseas continued to be highly encouraging whereas at home, the picture remained depressed.

He said the continuing recession in the UK construction industry is reflected in the level of both the group's cement and non-cement home sales. During the first four months of the current year deliveries had been running at levels some 20 per cent below those of the corresponding period last year, he warned.

Sir Rowland said that apart from the volume of deliveries UK profits would depend to a large extent on how well the group would be able to deal with increasing costs.

He expected the group to benefit from improved efficiency of operations and through streamlining its production arrangements.

The chairman said cement would continue to be the core of the group's activities, both at home and overseas, but it would continue to seek opportunities to widen its earnings base—especially in the UK.

The group is planning to increase its authorised share capital from £107.5m to £125m by *the creation of an additional* 17.5m ordinary shares of £1 each.

Difficult year seen at BHS

AN IMPROVEMENT this year in net profit at British Home Stores will be difficult to achieve, says Sir Jack Callard, the chairman. This will be particularly so for the first part of the year, when the level of sales is traditionally below that of the second six months, he tells members in his annual statement.

Sir Jack *says he is sure* that the company's own performance in what are bound to be difficult trading conditions will compare favourably within its sector. If the economy picks up sooner than forecast, it is well placed to take advantage of increased consumer spending.

"I remain totally confident about the longer term future of the company", the chairman adds.

Pre-tax profits for the 53 weeks to April 4 1981 were lower at £39.66m, against the previous year's £41.83m — as reported May 12. Sales, excluding VAT, rose from £366.35m to £410.1m.

Current cost taxable profits slipped from £35.6m to £34.3m.

At the year end, group shareholders' funds were ahead from £132.18m to £150.33m. Fixed assets totalled £121.41m (£110.62m) and net current assets £41.06m (£17.18m). Loan capital had increased from £4.38m to £29.8m, while working capital showed a £3.13m net decrease (£13.01m increase).

Meeting, The Connaught Rooms, WC, July 1, 11.30 am.

Reckitt and Colman Aust. advances 12%

By Our Sydney Correspondent

UK CONTROLLED Reckitt and Colman Australia increased earnings 12.3 per cent from A$6.91m to A$7.76m for the six months to April 30, 1981.

The result was achieved on a *17.6 per cent jump in turnover* from A$96.9m to A$113.95m.

The interim dividend is to be lifted from 7c a share to 7.5c. Pre-tax profit climbed from A$12.63m to A$13.75m.

Mr. I. R. L. Harper, Reckitt and Colman chairman said: "Since 1978 the second half has provided performance much stronger than in the first six months." This is unlikely to apply in 1981 because there is evidence of some slow-down in growth.

Nevertheless he said the board is confident of maintaining a satisfactory growth in the operating profit attributable to shareholders.

LOW AND BONAR NAME CHANGE

Bonar Packaging Films is the new name for Low and Bonar Packaging, of Dundee — a producer of industrial polythene films and quality printer of packaging films which is part of Low and Bonar.

Subsidiaries of Low and Bonar are in the process of changing their names to carry the prefix Bonar.

£14.5m midway jump at Lombard North

PRE-TAX profits of Lombard North Central, Britain's biggest finance house, jumped from £3.3m to £17.8m in the six months to March 31 1981.

The sharp recovery in the group's profitability was because of the small reduction in interest rates which boosted profits earned on fixed rate lending. The latter accounts for roughly three quarters of the total portfolio.

Mr Hugh Cubitt, chairman, says that the growth of new business, which has characterised the group's business in recent years, was not maintained in the first half of 1980/81.

The group had written less business than planned and total UK balances outstanding at March 31, were virtually unchanged from those at September 30 1980. In 1979/80 Lombard had increased its new business by 16.5 per cent.

Mr Cubitt says that provided present trends continue, profit for the second half should at least equal that of the first six months. "However, if there is an upturn in interest rates in the next twelve months it will be reflected in future profitability."

Attributable surplus for the half year *dropped from* £26.0m to £14.6m reflecting a swing from a £25m tax credit last time, to a £3m charge for the period.

Mr Cubitt says the tax charge *is based on the expected* outturn for the full year and reflects the effect of certain "technical rearrangement of leasing activities" within the National Westminster Bank group — Lombard is a wholly-owned subsidiary.

The group says that defaults have risen, but they have not reached an "unacceptable level". Adequate provisions have been made to cope with any losses that might ensure.

Second City's £2.26m cash call with 1-for-4 rights

SECOND CITY PROPERTIES is raising £2.26m by way of a rights issue of 3.7m shares on the basis of one new share at 60p for ever four held on May 27.

The directors estimate that profits before tax in the year *to April 30 1981* were not less than £1.27m compared with £1.2m in 1979-80. Attributable earnings were not less than £1m (£995,000) and net tangible assets were £11.9m or 78.9p a share *compared to £10.5m* at April 30 1980.

The directors intend to recommend a final dividend of 1.59p per share for 1980-81 on the share capital as enlarged by the rights issue. This would make a total of 2.2p for the year (2.2p).

The group's objective is to expand its investment portfolio, both by development and investment, and the directors are confident that opportunities will arise for sound long-term investments. The development of the house-building operations will be maintained.

Initially the £2.16m net proceeds of the rights issue will be applied to reducing bank borrowings.

Dealings in the new shares are expected to begin on June 9 and the final date for acceptances is June 29.

The issue has been underwritten by Samuel Montagu, and brokers to the issue are Hoare Govett.

Sainsbury's new stores exceed expectations

THE LEVEL of trade achieved by recently opened supermarkets of J. Sainsbury continues to exceed expectations and, together with the considerable potential for growth within its existing trading area, augurs well for the future, Sir John Sainsbury, chairman, tells members.

He adds that some of the most outstanding performances are coming from stores opened in the last three years in areas where the group has not previously traded.

As reported on May 7, taxable profits for the year ended February 28, 1981, increased from £46.03m to £65.76m, and the dividend is stepped up to 7.25p (5.125p) net per share.

During the year 15 new stores were opened with a total sales area of over a quarter of a million square feet. Sir John says the rate of opening will increase slightly and the directors expect to be able to meet their target of 50 new stores in the three years to March 1983.

Better trend at Glossop

FOR THE year to January 31 1981, W. and J. Glossop, public works contractor, achieved a turnround from a loss of £422,243 to a pre-tax profit of £375,717. At half-time, profit was ahead from £187,000 to £280,000.

Turnover for the year increased from £16.42m to £17.03m. After a tax charge of £114,517 (£243,609 credit) and extraordinary debits of £11,143 (£191,672 credits), net profit was up from £13,038 to £250,057.

Earnings per 25p share rose by 1.8p to 5.6p and the final dividend is 3.046p (2.626p) net, making a total payout of 4.622p (4.202p).

The company is maintaining its share of the market and the Board believes this year will be no less profitable than 1980-81.

With the company engaged in an industry which is not only *sensitive to Government* cutbacks, but also to weather conditions, the Board is considering some diversification, probably by acquisition.

The company has continued its action to reduce costs and in the year this has been furthered by the closure and sale of the Halifax office, the centring of activities in the north at York, and by making Tonbridge the new headquarters.

Bank borrowings have been cut from £1.3m to £0.4m.

MEXICO FUND

Shares of the Mexico Fund, the new closed-end investment vehicle for foreigners, will be listed on the London Stock Exchange tomorrow, following a listing today on the New York Stock Exchange.

The fund, which will invest in a broad range of Mexican equities, has sold 10m shares at $12 each.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Avon Rubber ....int.	*nil*	—	4	—	5
Buffelsfontein Gold	400‖	Aug. 7	430	710	590
City of Dublin ......int.‡	0.88	Aug. 14	0.88	—	2.63
Clydesdale (Tvl)	37.5‖	Aug. 21	30	60	45
Coalite Group	2.8†	Aug. 3	2.56	4.16	3.85
Comet Radiovision int.§	1.47	July 31	1.36	—	3.82
Deritend Stamping	4.4	July 23	6.3*	6.6	8.5*
Alfred Dunhill	6	July 29	5.99	10	12.25**
East Midland	2.35†	July 14	1.75	3.5	2.75
Eva Inds.	1	Aug. 31	3.25	1	5.65
W. & J. Glossop	3.05	Aug. 3	2.63	4.62	4.2
Griqualand Explta. int.‖	*nil*	—	7.5	—	15
Highams	2.78	July 29	2.78	3.58	3.58
Marley ....int.	1	Oct. 1	1*	—	2.25*
McCorquodale ......int.	2.75	July 27	2.64	—	7.89
Mountview Estates	2.3	Aug. 7	1.7	3.9	2.4
Petaling Tin	30	June 28	60	—	180
Rowlinson Constrctn. ...	0.43	July 10	0.43	0.61	0.61
Sterling Trust ....int.	3	Aug. 3	3	—	9.5
Stilfontein Gold ...int.‖	130	Aug. 7	160	—	460
Time Products	1.8	—	1.8	2.25	2.25
Trans-Natal Coal‖	20	Aug. 21	16	38	30
Thos. W. Ward ......int.	2.6	—	2.41	—	6.52
West Rand Consd. int.‖	5	Aug. 7	7.5	—	17.5
Eastern Transvaal‖	80	Aug. 1	110	150	150
Hartebeestfontein Gold‖	525	Aug. 1	725	1025	1025
Zandpan Gold‖	89	Aug. 1	123	173	173

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Irish pence throughout. § Increased partly to reduce disparity. ¶ Gross Malaysian sens throughout. ‖ South African cents throughout. ** Includes special second interim of 0.25672p for year to March 31 1979.

SPAIN

June 3	Price %	+ or −
Banco Bilbao	312	+5
Banco Central	366	+4
Banco Exterior	297	+5
Banco Hispano	290	+3
Banco Ind. Cat.	123	
Banco Santander	347	+3
Banco Urquijo	188	
Banco Vizcaya	329	+4
Banco Zaragoza	237	+3
Dragados	185	+5
Espanola Zinc	82	+1
Fecsa	69 2	+0.2
Gal Preciados	46	−2
Hidrola	74.7	+0.5
Iberduero	61 7	+1 5
Petroleos	121	+3
Petroliber	96	+1
Sogefisa	69	−2
Telefonica	65.5	
Union Elect.	69 5	+1 8

EMAP dividend raised 0.25p as profit gains 23%

PRE-TAX profit of East Midland Allied Press, the newspaper and periodical publisher, increased by 23 per cent for the year ending March 28, 1981, from £3.3m to £4.05m. Turnover was also up 23 per cent, from £32.3m to £39.8m.

Profit at midway was ahead from £1.65m to £1.87m.

The directors have recommended a final dividend of 2.35p per 25p share, *against a forecast* of 2.1p, making a total of 3.5p, compared with 2.75p.

Earnings per share were 11p (11.6p).

Profit levels for the weekly publications, Angling Times, Motor Cycle News and Garden News increased. The success of the fortnightly Smash Hits *played* a substantial part in the profit improvement of the national publications division.

Using current cost accounting, pre-tax profit was £3.55m (£2.69m).

On a trading profit of £4.99m (£4.13m) depreceiation took £984,000 (£819,000) and taxation £1.62m (£889,000). Profit after tax was £2.44m (£2.42m). A total of £814,000 (£557,000) was paid out in dividends over the year leaving a retained profit of £1.62m (£1.86m).

• comment

The pre-tax profits of East Midland Allied Press rose 22.6 per cent last year, and dividends are increased by more than forecast. EMAP was quite successful in combating the revenue effects of a 7.7 per cent fall in provincial advertising volume. But costs went up by a fifth, and profits from the newspapers were about *£0.8m against £1.46m last year.* This decline was offset by growth from magazines and an expanding chain of newsagents. Elimination of last year's £0.6m "Match Weekly" *start-up cost has been* very helpful to the magazine division, while "Smash Hits" lives up to its name (at least in terms of return on the initial outlay). The rights proceeds have been another important—if temporary—source of extra revenue; EMAP is holding £5m of net cash while it searches for suitable acquisitions. All in all, there was *not much* underlying growth last year, and the current outlook is for no more than a nominal advance. The shares moved ahead 5p yesterday, to 118p, where the 4.3 per cent yield is covered 2.4 times by current cost earnings. A fully-taxed p/e of nearly 13 probably discounts the flat year which is in prospect.

Time Products ends £2.26m lower

FOLLOWING a half-time fall from £1.93m to £1.37m, pre-tax profit of Time Products ended the year to January 31 1981, £2.26m lower at £3.25m. Turnover was down, at £30.97m (£37.05m).

The net balance emerged at £2.6m (£4.68m) after tax of £654,000 (£725,000).

A final dividend of 1.8p makes a net *total of* 2.25p, the same as last year. Stated earnings per 10p share were 5.85p (10.8p), excluding adjustment for increase in issued shares shortly before *year-end.*

The pre-tax figure does not take into account the 50 per cent share of Remex and Century groups acquired shortly before the end of the financial year. Profit of these two groups was *£883,000 (£1.34m).*

The company which is primarily engaged in distributing watches, jewellery and related goods, said that the results were achieved despite extremely adverse conditions. It is holding its market share well and will be able to react swiftly to an upturn in trading.

The company added that although conditions during the first months of the current year continue to be difficult, the board was confident that once circumstances permit, it will return to its long-established record of growth. Consolidation of Remex and Century will broaden the company's base and decrease its dependence on the UK market.

Current cost accounting gives a pre-tax profit of £3.56m (£5.33m).

• comment

Not only has Time Products turned in a set of figures which represent the first setback in 10 years, but the group's 41 per cent pre-tax slump is worse than expected. Pre-tax margins have fallen more than four points, turnover is *down and volume fell* around 6 per cent last year. Time's business is highly retail sensitive, so the recession hurt. Customer destocking, a poor Christmas period and price-cutting were among the difficulties. Hong Kong earnings fell 34 per cent, but the group will this year include 100 per cent of Remex, an increasingly *important* part of group profits. The outlook is not good in the short term. This year Time might just top £4m pre-tax and it will be 1983 before the company *returns to 1980* profit levels. At yesterday's 61½p, the shares look pricey on a fully taxed historic multiple of 19. The yield comes to 5.4 per cent.

BARRATT RIGHTS

ACCEPTANCES HAVE been received in respect of 91 per cent of the *11.85m shares* of Barratt Developments offered in a recent rights issue.

DERRITRON

Derritron states that in view of the deficit in reserves, the dividend on redeemable cumulative preference shares due on July 1 1981 is to be postponed.

Rowlinson at £420,000 after good second half

A jump in second-half taxable profits from £30,784 to £376,516 at Rowlinson Constructions Group boosted the full year figure to £420,516, *compared* with £62,584. Turnover for the 12 months ended March 31 1981 climbed from £6.53m to £10.23m.

The directors say the results are considerably better than expected because of lower interest rates, rent reviews, settlement of claims and an improvement in the profits of the contracting divisions.

After a tax credit of £429,621 (£18,098 charge) attributable profits came through at £850,137, *against £44,486.*

The final dividend is 0.425p (same) for an unchanged total net payment of 0.60625p.

Lettings were very slow during the year but there has been a recent slight improvement. The recession has been used to consolidate and to prepare for an upturn in the economy.

It is anticipated that profits will increase during the coming year.

Comet Radiovision similar halfway

ON turnover of £118.14m against £114.82m, taxable profits of Comet Radiovision Services were little changed for the half year ended February 28 1981, at £5.74m compared with £5.66m.

The directors state that any increase in sales of this electrical goods, gas appliances, home improvement products concern, coupled with the actions they have taken and the normal autumn upturn, would have a significant effect on group profits.

Pre-tax surplus for the whole of last year was £6.44m.

From earnings per 5p share of 13.7p (13.6p) the interim dividend is lifted by eight per cent, partly to reduce disparity to 1.47p (1.36167p) net—last year's *final payment* was 2.45667p.

Although the overall result, for the six months, was similar to last time, the directors say that substantial changes took *place in the* contributions made by individual companies.

The Comet electrical division performed well with profits increased by about a third, but directors find it difficult to make an accurate comparison at James McOnomy since substantial costs were incurred in opening new branches in Nottingham, and Renfrew the previous year.

Sales were badly affected by the recession, particularly those of jewellery, and a managing director is being recruited to take charge of this division.

Sales at R. P. Carmichael & Co fell substantially also, but close attention to overheads resulted in satisfactory profits, although they were lower than *in 1979/80.*

On the jewellery manufacture side, sales in the pre-Christmas season were most disappointing, and operating profits were virtually eliminated, the directors explain. One factory was closed and its operations have been absorbed within the remaining three.

Other actions have been taken to reduce overheads still further: "We do not expect this division to return to profitability within the current half year."

The home improvement division as a whole remained profitable at the trading level, but its contribution to group results has reduced substantially.

Expedite Publicity maintained its profits, and although Polarcold continued to trade well, there was some reduction in its surplus.

After tax of £197,000 (£150,000) and dividends £436,000 (£349,000), the balance retained came through at £5.11m compared with £5.16m.

• comment

Comet has pushed its main business, Comet Electrical, back into shape in the half year. This is reflected in the drop in total stocks, down from the swollen August figure of £57.7m to £37.4m and stock turn is back from 13 weeks to a more normal 10½ or so. At the same time, although volume is little changed, the group has been successful in pushing up its gross margins, with the rest of the sector following its lead. So stripping out the property sale profits of a year ago, Comet's profits have shown a gain of about 5 per cent for the six month period—following the steep decline of the previous half. The cutback in stocks has allowed the position of net debt of £4.9m a year ago to be transformed into net cash of £10.7m—producing about £½m of interest payable in the half just completed. Trading in the current half is comfortably ahead of the depressed levels of last spring, although hardly sparkling. So the *full* year outturn may be in the region of £7m, against £6.4m. With credit from manufacturers less easy to come by, there is unlikely to be a *further cash inflow in the current* half. But the company is waiting is waiting until it can find top management for McOnomy and the Home Improvement division before embarking on expansion. The shares fell 5p yesterday to 156p, where the prospective yield is 3¼ per cent.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Hickson and Welch, Northern Foods.

Finals: Airflow Streamlines, Beecham, Castings, Century Oils, Culter Guard Bridge, Leigh Interests, Whittington Engineering.

FUTURE DATES

Interims—

Bath and Portland	June 5
National Westminster Bank	July 28
Raeburn Investment Trust	June 19
Sidlaw Industries	June 11
United Spring and Steel	June 10

Finals—

Alpine Soft Drinks	June 16
Ariel Industries	June 11
Audiotronic	June 15
Beechwood Construction	June 16
British Steam Specialties	†June 18
Brown Shipley	June 11
Crosby Woodfield	June 18
Cullen's Stores	June 10
Great Portland Estates	June 10
Scapa	June 25
Wigfall (Henry)	June 11

City of Dublin ahead so far

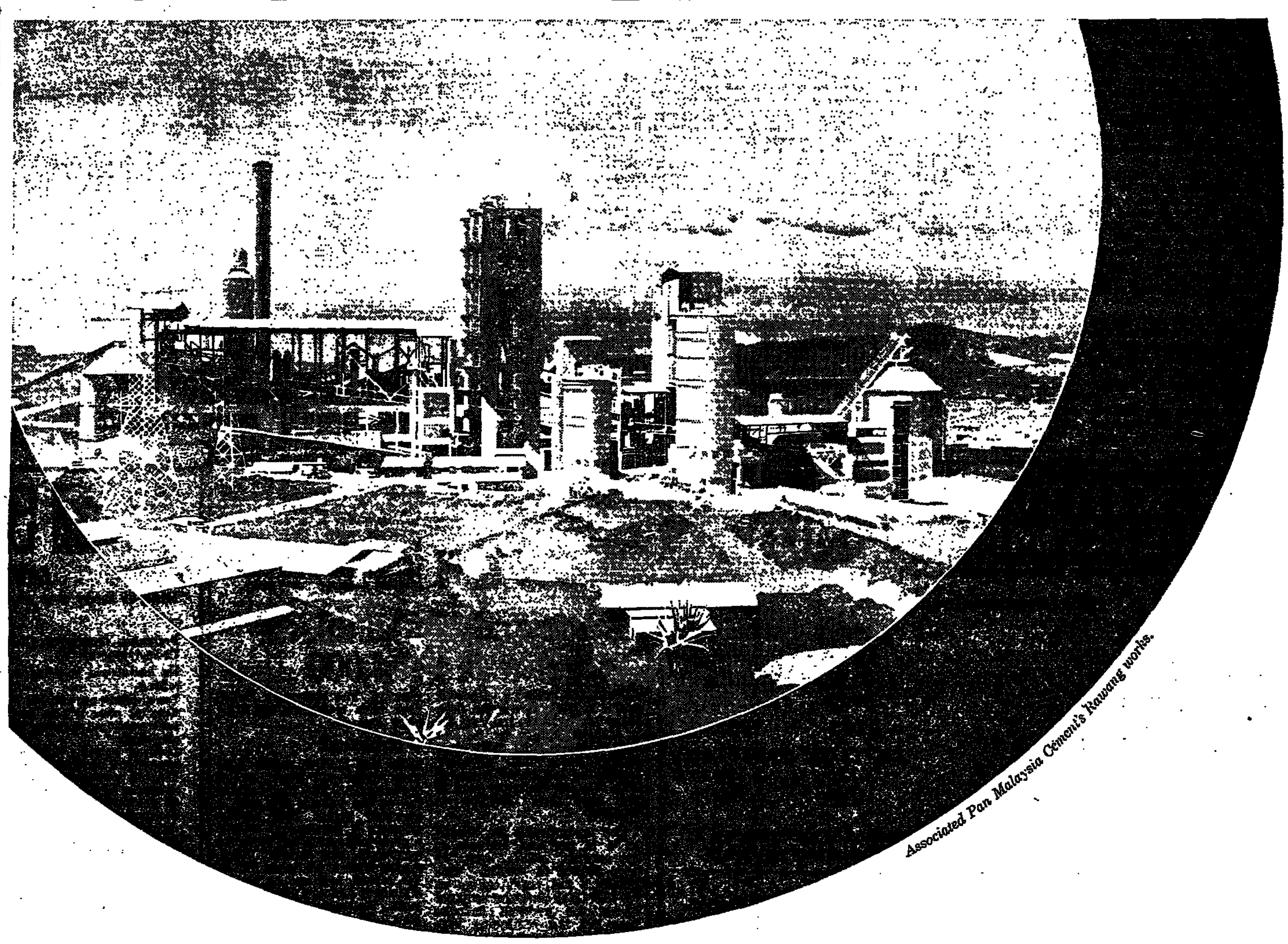
PRE-TAX profits of the City of Dublin Bank moved ahead from I£377,000 to £426,000 for the six months ended March 31 1981, a 13 per cent increase.

Mr Thomas Kenny, chairman, says the outlook for the company is set fair, but the *rate of* inflation and the declining value of the Irish currency in relation to sterling are danger signals for the national economy.

Afer tax of £174,000 (£153,000) earnings per 25p share are shown as 2.51p (2.48p) and the interim dividend—which absorbs £88,000 (£79,000)—is unchanged at 0.875p. Last year's total distribution was 2.625p paid from £644,000 profits.

Mr Kenny says that credit control, as enunciated by the Central Bank, continues to inhibit any marked enlargement in the company's lending, and there is no sign or good cause why credit control should be eased in the immediate future.

Deposits continue to expand and were up from £40.89m to £52.97m, as at March 31. Net current assets stood at £60.53m (£47.65m) — cash balances and Government securities rose to £21.37m, against £14.93m.



Associated Pan Malaysia Cement's Rawang works.

Mountview Estates at £2.3m

Taxable profits of Mountview Estates, the London-based property dealing and investment company, improved from £1.93m to £2.29m in the 12 months to end-March, 1981, although turnover remained virtually unchanged at £3.54m, compared with £3.55m.

A final dividend of 2.2p (1.7p) brings the net total up to 2.9p, an increase of 0.5p.

The surplus was struck after net interest received of £382 (£9,711 net charge).

Tax took £1.19m (£1m) and stated earnings per 5p share moved up from 18.52p to 21.97p.

Avon £1.5m in the red—no interim

WITH ABOUT a third of the total coming from businesses which have since been sold or closed, Avon Rubber Company suffered a taxable loss of £1.51m for the half-year ended April 4, 1981, compared with a profit of £784,000. And the interim dividend has been omitted.

While the performance of all the company's non-tyre related subsidiaries has improved, the directors say that the severity of competition in the international tyre market continued unabated, which will make profitable trading difficult to achieve in the second half.

The level of orders from the majority of customers appears to have stabilised, but as yet the directors see no evidence of any general upturn in the national economy. In the company's European markets strong sterling is still adversely affecting volume and profit margins.

Turnover for the six months slipped from £81.15m to £78.3m.

Last year's dividend totalled 5p — interim was 4p — paid from taxable profits of £840,000, with the second half contributing only £56,000.

The attributable loss came through at £2.94m (£520,000 profit) after minority losses, £22,000 (£29,000 profit), and an extraordinary debit of £1.45m for the half year — there was no tax charge (£235,000).

The extraordinary items provided for the disposal of Avon Medicals, £319,000, disposal of Agricultural Engineering, £529,000, closure of Swedish distribution company, £100,000, and reorganisation costs in continuing businesses, £501,000, which includes £413,000 in respect of redundancy payments.

Loss per share is given as 22.8p against earnings of 7.6p.

● comment

The chairman of Avon Rubber had forecast a significant loss in the first half and the board remains pessimistic about recovery in the second half. The problem area is tyres where most of the £1m loss on the continuing businesses in the first half was incurred. Avon is a small producer and the combination of overcapacity and soft markets precludes price increases until the industry leaders move. The group is gradually reducing its position in volume markets and concentrating more on specialised tyres where competition is less fierce. All the non-tyre operations are now profitable; Lippiatt Hobbs should at least maintain last year's £1m contribution and motor manufacturers are starting to re-order Avon's industrial polymer products. Capital gearing has remained at about 60 per cent of reduced shareholders' funds and the group should at least avoid a cash outflow in the full year. The shares fell 5p yesterday to 98p where the market capitalisation is only £6.4m. This reflects a negative valuation of the tyre business, which seems to be keeping potential predators at bay.

Eva Industries plunges to £0.4m: payout slashed

AFTER REDUNDANCY and severance costs of £293,000, compared with £95,000, and interest charges which rose by £375,000 to £916,000, taxable profits of Eva Industries plunged from £2.04m to £418,000 in the 12 months to March 31 1981.

At midyear profits were down from £910,000 to £231,000.

After tax, the group, which manufactures agricultural tools and engineering products, fell into the red, incurring a loss of £288,000, against a profit of £1.7m —tax took £706,000 (£338,000).

There was a stated loss per 25p share of 6.7p compared with earnings of 16.4p.

Mr T. R. Astley, the chairman, says on the face value of the results taken in isolation a dividend would not be justified but having reviewed the total situation and the profit capability of the group in its reconstructed form the Board feels a payment of 1p net should be paid. Last year dividends totalling 5.65p were paid.

Turnover for the year slipped marginally from £31.38m to £30m and trading profits came through at £1.63m (£2.67m) including profits earned in Brazil and Thailand of £1.46m and £117,000 respectively.

After minorities of £333,000 (£161,000) and extraordinary debits of £631,000 (nil) being costs for discontinuance of certain activities less tax, there was an attributable loss of £1.25m (£1.54m profit). This loss increases to £2.77m on a CCA basis.

The directors point out that even after the past most difficult year the underlying net tangible assets of the group's shares remain at 125p per share. And they believe that the actions taken during the year provide a basis for a profitable future.

● comment

Eva has been shielded from the recession by its overseas operations. Overall the group broke even in the UK. Its engineering services fell into the red following a collapse in demand from the automotive industry. Trantor, its new tractor-styled vehicle, proved impossible to sell because of the very low level of tractor demand and its own high price. Elsewhere agricultural and mechanical hand tools made a small profit. Staff in the UK has been cut by 300 to 1,200 and manufacturing capacity reduced to lower the break-even point. Trantor remains in loss and a new cheaper design is being produced, while existing stocks have been written-off as an extraordinary item of £631,000. Overall UK operations have now crept into the black. Exports, which last year included some loss makers, are now selling on higher margins after the recent weakening of sterling. The main money-spinner was, and continues to be, Brazil where demand for its products is growing, and also in Thailand, where an improvement in the distribution network has boosted profits. Borrowings have held steady and the increase in interest charges largely reflects higher rates in Brazil. The shares at 44p gain support from net assets per share of 125p and the possibility that Anglo Indonesian Corporation may try again.

KCA buys Longhorn Mud

KCA International, less than a week after announcing the hiving off of its drilling subsidiary, yesterday revealed an acquisition for its drilling fluids subsidiary, which is still a member of the main group.

The group has purchased Longhorn Mud, a Texas-based drilling fluids company, for $550,000 (£270,000).

KCA International already operates a drilling fluid business in North America, KCA Minerals. The new acquisition is to be run under the aegis of this company.

McCorquodale down to £2.3m mid-year

THE IMPACT of the UK recession on its packaging, general printing and engineering companies resulted in a fall in pre-tax profits of McCorquodale and Co, specialist printer, from £2.7m to £2.34m for the half year to March 31 1981, on higher turnover of £42.89m, against £40.13m. In the circumstances, the board regards the result as reasonable.

Since the end of the period, group profits have exceeded those of the same months of 1980, which was hit by the NGA dispute. Although trading for many of its UK subsidiaries will continue to be difficult, the board feels confident that, with the growing strength of the overseas operations, full year profits will be close to the previous year's £4.9m.

The group's cheque printing activities have continued to perform satisfactorily. Book printing has returned to profitability

	Half year 1980-81 £000s	1979-80 £000s
Turnover	42,890	40,125
Trading profit	2,107	2,504
Investment income	58	57
Interest charge	716	558
Associates' share	886	692
Profit before tax	2,335	2,695
Tax	654	644
Extraord. debit	609	171
Available	1,072	1,880

and the overseas subsidiaries, particularly those in North America, have increased their profits.

Associates' contributions again advanced — from £692,000 to £886,000 — and included nine months' profits from one company whose year-end has been changed.

Tax charge was slightly higher at £654,000 (£644,000) and extraordinary debits increased from £171,000 to £609,000. These comprised the cost of the closure of McCorquodale (Newton) less a provisional estimate of tax relief thereon.

Stated earnings per 50p share dropped from 12.87p to 10.33p, but the net interim dividend is being raised to 2.75p (2.64p) — last year's final was 5.25p.

● comment

McCorquodale's results are much as expected. Interim pre-tax profits slipped by 13 per cent due to losses in its packaging division, which in line with its competitors has seen demand for its products collapse. An improved peformance from the group's main operations, the printing of bank cheques, largely due to continued recovery in the U.S., was insufficient to make up for the shortfall from the packaging and book printing side. While the outlook for packaging remains bleak, book printing is showing signs of recovery and has now moved into the black after last year's factory closures and redundancies lowered its break-even point. The 4 per cent dividend increase and bullish statement that profits are now higher than in the comparable period last year point to a change in the group's traditional earnings pattern. Second-half profits this year are likely to exceed the interim performance and compare favourably with last year when the NGA dispute cost the company around £500,000. Further small acquisitions are expected in the U.S., which will be financed by bank borrowings. The company does not rule out a more sizeable purchase which would necessitate its third rights issue in six years. The shares shed 5p to 145p and gain support from a historic yield of 8 per cent.

Rolfe and Nolan misses target with £104,000

ALTHOUGH second half pre-tax profits of Rolfe and Nolan Computer Services rose from £51,000 to £104,000, figures for the full year to February 28 1981, were slightly lower than directors' predictions at £155,000 compared with £160,000. Turnover rose 34 per cent from £576,000 to £770,000.

The lower profits are blamed on a 44 per cent increase in depreciation, which went up from £64,000 to £92,000. This reflects a full year's charge on the PDP11/70 computer acquired during the previous financial year and the continuing high level of the company's capital expenditure programme.

The directors say the company is in a strong liquid position with cash balances at the year-end amounting to £193,000.

Stated earnings per 10p share are down from 6p to 4.8p. Tax took £41,000 against £28,000, and after dividends of £38,000, retained profits came out at £76,000 compared with £132,000.

The net dividend is 1.5p (nil), against a forecast of not less than 1p. The company's shares have been traded on the USM since January.

● comment

Rolfe and Nolan's profits have once again not lived up to expectations. The £5,000 shortfall on the forecast this time is annoying rather than serious although it presumably reflects a more substantial fall from the company's own target. Commodity trading continued dull in the second half and so it was difficult to find new clients or get more business from existing ones. In these circumstances, the 24 per cent rise in second half profits shows that the 18 per cent price increase last August was absorbed without difficulty. Commodity markets are still dull but the Bunzl computer bureau acquisition should begin contributing this year. The company is looking for further diversification and still has last year's placing proceeds to do it with. At 62p, up 2p yesterday, the yield on the higher-than-forecast dividend is 3.5 per cent and the fully taxed p/e a still-confident 20.

Deritend dives at year-end

TAXABLE PROFIT at forgings group Deritend Stamping Company collapsed to £168,000 for the year to February 28 1981, against last year's £1.92m, after a half-time figure of £504,000 compared with £815,000.

Tax of £706,000 (£71,000 credit) and extraordinary debits of £856,000 (£19,000) left the company with a net loss of £1.39m, compared to a net profit of £1.97m.

Turnover for the year was down from £35.12m to £31.43m. Loss per 50p share was 10.2p, after last year's restated earnings of 37.8p. A net final dividend of 4.4p will be paid, making a total of 6.6p (adjusted 8.5p).

In this year's accounts all advance corporation tax of £706,000 has been written off as in the board's view this will not be recoverable within the foreseeable future. A further £856,000 for redundancy and reorganisation costs has been incurred following rationalisation and closure.

The group says it is currently trading profitably with all companies working a five-day week; demand appears to be increasing.

Current cost accounting gives a pre-tax loss of £415,000.

Scottish Agr. Secs. ahead

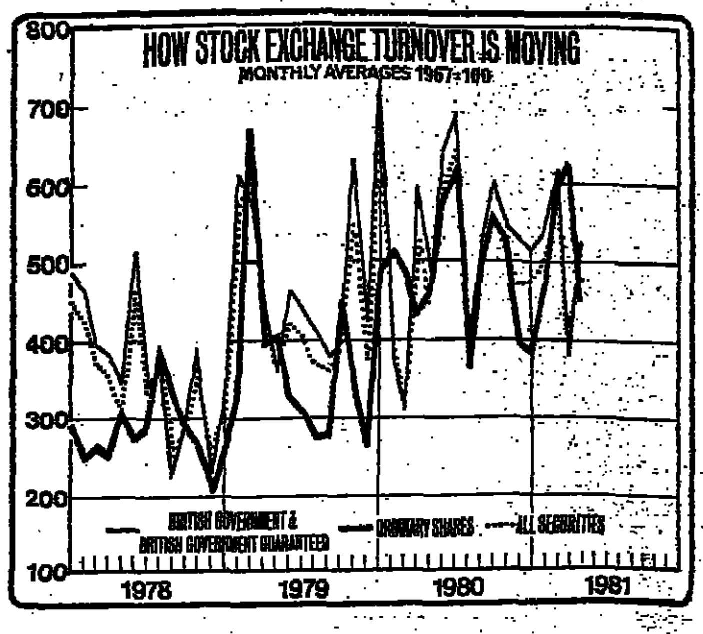
Pre-tax profits of the Scottish Agricultural Securities Corporation improved from £574,688 to £620,035 for the year ended March 31, 1981.

After tax of £322,412 (£354,415) and an extraordinary debit last time of £88,351, net available profits came through at £297,623, against £131,922. The dividend absorbs £12,250 (£3,062).

At year end, shareholders' funds were up from £1.81m to £2.09m. Fixed assets totalled £17.75m (£17.55m), while net current liabilities were little changed at £1.37m (£1.38m). Working capital decreased £3,388

STOCK EXCHANGE BUSINESS IN MAY

Improvement in gilt-edged



AN IMPROVEMENT in business in gilt-edged securities last month led to an overall increase in Stock Exchange turnover compared with April, despite there being one less trading day last month. Total turnover in May, at £15.61bn, was up by nearly £2bn, or 16.4 per cent.

The Financial Times turnover index for all securities rose from an April level of 411.1 to 478.4, still below the 1980 monthly average of 501.2.

A distorted set of banking statistics brought about by the civil servants' industrial action, coupled with currency uncertainties and the upward trend of U.S. interest rates, looked on as causing a further postponement of a cut in MLR, had an unsettling effect on gilts. But business in British Funds rose by £3.27bn, or just over 35 per cent, to £12.30bn, of which the shorts accounted for £6.47bn.

The number of bargains in the funds, however, decreased by 7,498 to 69,010 with deals in the shorts 964 lower at 20,094, while bargains in the longs and irredeemables contracted by 6,534 to 48,916.

The FT turnover index for Government securities rose to 520.5 from the April level of 382.1, approaching the 1980 monthly average of 535.0.

In sharp contrast, business in equities declined last month as equity prices suffered several sharp setbacks.

Equity turnover fell by £0.97bn, or 27.8 per cent, to £2.52bn. The number of bargains declined by 159,662 to 306,523. The average value per equity bargain increased by £737 to £8,239. The FT turnover index for ordinary shares dropped from 624.1, its highest level since March 1979, to 450.6.

Share prices of the miscellaneous industrial and financial leaders reacted dramatically to the fall in other European markets following the French presidential election result and the almost daily occurrence of rights issues — a list which included Cadbury Schweppes which called for £56m, Guardian Royal Exchange, £78.6m, and BOC International, £81m.

The Financial Times industrial ordinary index, unable to pierce the psychological barrier of 600 after attaining an all-time high of 597.3 on the last day of April, dropped 54.8 points, or 9.2 per cent, to end the month at 542.5.

The FT Gold Mines index finished the month 11.2 points higher at 356.9, contrasting with the price of gold bullion.

Category	Value of all purchases & sales £m	Total %	Number of bargains	Total %	Average value per day £m	Average value per bargain £	Average number of bargains per day
British Government and British							
Government Guaranteed							
Short-dated (having five years or less to run)	6,468.0	41.4	20,094	4.9	340.4	321,885	1,058
Others	5,830.3	37.3	48,916	12.0	306.9	119,189	2,574
Irish Government							
Short-dated (having five years or less to run)	219.3		1,237	0.3	11.5	177,278	65
Others	114.8	0.7	2,133	0.5	6.0	53,831	112
UK Local Authority	309.3	2.0	4,221	1.1	16.3	73,266	222
Overseas Government Provincial and Municipal	25.7	0.2	911	0.2	1.3	28,206	48
Fixed Interest Stock							
Preference and Preferred Ordinary Shares	119.9	0.8	23,589	5.8	6.3	5,085	1,242
Ordinary Shares	2,525.4	16.2	306,523	75.2	133.0	8,239	16,133
Total	15,612.7	100.0	407,624	100.0	*821.7	*38,302	*21,454

* Average of all securities

Cons. Gold Fields buys more Ultramar: no full bid planned

Consolidated Gold Fields has increased its stake in Ultramar, the oil and gas company, from 4.5 per cent to 5.56 per cent—or 6m shares. But it has "no intention at all" of making a bid for the whole of the company, a spokesman said yesterday.

The additional shares were offered in a block off the market, and Gold Fields took advantage of the opportunity to buy at an undisclosed price. The company said it wished to feel free to pursue other such opportunities in the future as and when they arose.

Ultramar's executive director, Mr. John Owers, pointed out that Gold Fields was, in fact, one of the original shareholders in Ultramar, and said he had no reason to suppose the increase in its stake was for any other reason than portfolio investment. There are no other shareholders in Ultramar with more than 5 per cent of the company, he confirmed.

Gold Fields was also involved in a share stake reshuffle in the mining sector announced yesterday. At the same time Minerals and Resources Corporation (Minorco), the Bermuda-based mining finance house in the Anglo American group, yesterday said it had acquired an interest in 50 per cent of the shares in Beralt Tin and Wolfram as a result of the reshuffle in the Minorco group last February.

The reshuffle means that Minorco now holds 36 per cent of Charter Consolidated which, in turn, holds 5.7m Beralt shares. In terms of the Companies Act, therefore, Minorco is required to disclose that it, too, has an interest in Beralt.

By the same token, Anglo American Corporation has the same interest in Beralt, as it owns more than 33 per cent of Minorco, while De Beers Consolidated Mines, which has a holding in excess of 33 per cent in Anglo American, also has a stake. Anglo American, in fact, holds 43 per cent of the reorganised Minorco group, and De Beers has 39 per cent of Anglo American.

The February reshuffle was centred around the injection of more than £400m of Anglo American's assets into Minorco, aimed at making it Anglo American's expansion channel outside South Africa. The assets included the 29 per cent stake in Consolidated Gold Fields bought by De Beers in the controversial dawn raid in February last year. At the time of the dawn raid the concert parties which existed within the Anglo American/De Beers connection were not disclosed. In this case disclosure is taking place right down the line to Beralt Tin.

Government 'neutral' in British Sugar bid

THE GOVERNMENT has formally announced that it is taking a neutral position over S. and W. Berisford's bid for British Sugar Corporation.

Yesterday it said that it will be "guided by the wishes of the majority of uncommitted shareholders" and would "accept this or any other bid if, but only if, it were accepted by such a majority."

Berisford already owns 12.38 per cent of British Sugar; the Treasury owns 7.5 per cent and the Ministry of Agriculture, Fisheries and Food 16.8 per cent. Other shareholders control 63.32

It was not clear yesterday whether the Government's statement meant that it would accept Berrisford's offer if it won acceptances from shareholders representing 31.66 per cent. At that stage Berisford would still be short of a clear majority.

British Sugar's shares held steady at 330p yesterday. On Tuesday, when Berisford bought 350,000 shares at 335p, the equal of the bid price, British Sugar closed 5p down.

British Sugar has again written to shareholders saying that Berisford's bid is "unwelcome and totally inadequate."

Myson Group may receive offer

MYSON GROUP, the loss-making heating, ventilation and air-conditioning specialist, has received an approach which could result in an offer for the whole of the issued share capital of the company.

Myson asked the Stock Exchange to suspend the listing pending a further announcement. The shares, suspended at the opening of yesterday's trading, stood at 48p, placing a value on the group of £4.6m.

It is believed that talks were taking place yesterday between Myson and representatives of a consortium which may offer a deal worth about 65p per share. No formal announcement had been made late last night.

For the year ending December 31 1980 Myson reported a pre-tax loss of nearly £3m compared with pre-tax profits of £2.1m. The group did not pay a final dividend.

In April this year Barclays Bank helped Myson reschedule about £15m debt. In addition, Barclays subscribed to £3m of a new class of convertible preference shares which if the bank were to convert would give it, in an unusual arrangement, a 31 per cent stake in the company.

At the time Barclays said it intended to hold the convertible preference shares as "a portfolio investment" but stressed that if it were to convert, it would not retain its stake as a long term investment.

Myson said its poor results had been caused by falling demand as merchants reduced stocks. Closure costs and large redundancy payments, sharply increased the group's bank borrowings and interest payments.

Thos. Ward results criticised by Tunnel

Thos. Ward published its interim profit figures yesterday to an immediately scathing comment from Mr. John Birkin, chairman of Tunnel Holdings for which Ward is bidding.

Ward announced a decrease in pre-interest profits from £8.26m to £7.72m for the half-year to March 31 and only a change in interest charges from payments of £899,000 to credits of £54,000 produced a rise in pre-tax profits from £7.26m to £7.78m.

Mr Birkin noted that at the trading level Ward's own businesses had fallen in profitability—from £5.76m to £3.79m. The associates, on the other hand—Ribblesdale Cement and Tunnel itself — had increased their profit contribution by £1.43m to £3.93m.

The interim dividend is to be increased from 2.4p to 2.6p and Ward is promising not less than 7.2p for the full year compared with 6.5p last year.

In a letter to Tunnel's shareholders reminding them that the bid cannot be extended beyond June 8, Ward says that it has "greater potential for recovery of profits than Tunnel." It does not, however, provide a profit forecast for the year. Instead it notes that its motor businesses, which made only £1.2m in the six months under review have earned as much as £6.2m in a good year before recession took hold.

Ward's shares rose 5p yesterday to 131p, so its share and cash offer for Tunnel is now worth 482p a share, compared with the pure cash offer at 435p.

Tunnel's shares in the market also rose slightly to 441p.

Rio Tinto Zinc has continued to buy Tunnel shares in the market and now holds 8.3 per cent of the "B" shares carrying 5.9 per cent of the votes.

It also announced yesterday that it did "not intend to make a counter-offer to the existing offer" by Ward.

That promise would expire on June 8 with the Ward offer if Ward's offer did not go unconditional.

Ward believes its offer is at a substantial premium over stock market ratings of other cement companies but Tunnel counters with the claim that (a) it is not just a cement company—its speciality chemicals business is now almost as large—and (b) that on comparable tax bases other cement companies also stand on similar price multiples in the market.

The two companies also continue at odds over Ward's gearing. Ward says that it has surplus cash of £23m and that its cash flow after the merger would support the borowings arising both from the offer and from capital investment within the group and its associates.

T & N BUYING REST OF CURTY

Turner and Newall, the diversified industrial manufacturing company, is to buy the remaining 51 per cent of shares in Curty, the French-based automotive gasket manufacturer, that it does not already own.

The price was undisclosed, but Turner said yesterday that the move has been made to expand its role in the French automotive industry.

Management of the French group will remain unchanged.

HILL & SMITH IN £0.53M CASH DEAL

Hil and Smith, a West Midlands-based drop forging and steel fabricator, has acquired Birtley Manufacturing, maker of galvanised steel building products, for £530,000 cash.

Mr Denis Hodgetts, chairman and managing director of Hill and Smith, said yesterday that the net asset value of Birtley is £1.34m, having been reduced from £2.46m at July 31 1980 by selling property holdings.

In the financial year ended July 31 1980, Mr. Hodgetts said, Birtley made a pre-tax loss of £127,794. The terms of the purchase agreement with Manganese Bronze Holdings, Birtley's holding company, preclude Hill and Smith from taking tax benefits from this loss.

Prior to the last financial year, Mr Hodgetts added, Birtley was in profit and had been trading profitably since the date of the last accounts.

The Birtley acquisition is part of Hill and Smith's plan to expand its market share and broaden its product range.

BARROW HEPBURN

CAPARO GROUP, a private holding company, has sold its remaining holding of 2.75m shares (around 11 per cent) in Barrow Hepburn Group, the manufacturing and industrial distribution concern.

Barrow Hepburn's shares yesterday rose 4p to 38p, which valued the Caparo holding at over £1m, although no price has been disclosed for the sale.

Mr Swraj Paul, chairman of Caparo, resigned yesterday as a director of Barrow Hepburn.

Following the redistribution of the Barrow Hepburn shares, M and G Recovery fund now owns 2.2m and London Trust, which bought a large block of Barrow Hepburn shares from Caparo last Friday, 5.485m shares.

Eagle Star still rejects Allianz

Eagle Star Holdings repeated its advice to shareholders yesterday not to tender their shares to Allianz Versicherung. It states that the offer of a maximum of 290p, before taking into account any liability to Capital Gains Tax, is not enough, neither does it reflect the premium that Allianz should pay to acquire such a significant shareholding as envisaged by the tender.

Allianz acquired 14.9 per cent of the equity of Eagle Star on Monday as a result of a "dawn raid" by Rowe and Pitman. A sum of £59.2m was spent acquiring 20,415,000 shares at 290p per share.

Allianz is seeking to acquire a further 20,420,000 shares (15 per cent of the equity) through a tender offer to shareholders at a maximum price of 290p. The offer closes at 3.00 pm on Tuesday, June 9, 1981.

Eagle Star is writing to shareholders today explaining in full the reasons for this rejection advice.

SAVOY SHARES DIP BELOW BID PRICE

Trusthouse Forte has until this morning to announce its intentions over its bid for the Savoy Hotel group. The first closing date for its offer was yesterday afternoon. In the market the ordinary shares shed 4p to end the day at 187p; 3p below Trusthouse's cash offer. The important "B" shares, which carry the preponderance of the votes, held their market value at £11.25.

S. G. Warburg, Trusthouse's advisors, declined to indicate its intention yesterday evening. Instead, there was an announcement that Trusthouse had bought a few more shares in the market on Monday and Tuesday. It acquired 520,000 "A" shares and 6,750 "B" shares during the two days.

LONDON TRADED OPTIONS

June 3 Total Contracts 1198; Calls 817; Puts 375

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP (c)	360	26	10	38	—	58	—	370p
BP (c)	390	12	45	26	5	42	16	"
BP (c)	420	6	31	16	43	30	—	"
BP (p)	360	15	140	28	3	34	3	370p
BP (p)	390	32	13	41	2	48	5	"
Court'lds (c)	50	21	—	23	6	—	—	69p
Court'lds (c)	60	11	2	15	2	18	2	"
Court'lds (c)	70	4	29	9	—	12	—	"
Court'lds (c)	80	1	—	5	—	5½	4	"
GEC (c)	650	53	9	77	—	102	—	688p
GEC (c)	700	18	37	45	5	69	1	"
ICI (c)	260	38	—	44	6	—	—	286p
ICI (c)	280	19	90	29	10	38	3	"
ICI (c)	300	9	7	19	91	30	—	"
ICI (c)	330	2	67	9	5	20	—	"
Mks & Sp (c)	130	6½	2	14	1	20	—	128p
Mks & Sp (c)	140	3	—	9	1	13	1	"
Shell (c)	360	18	—	28	10	38	—	358p
Shell (c)	390	9	3	16	—	26	—	"
Shell (c)	420	4	—	11	13	16	—	"
		August		November		February		
Barclays (c)	420	14	4	20	—	33	—	403p
Barclays (c)	460	4	—	9	1	—	—	"
Imperial (c)	80	3	—	4	1	6	—	72p
Lasmo (c)	550	55	10	80	—	102	—	563p
Lasmo (c)	600	32	6	55	—	80	—	"
Lasmo (c)	650	17	8	37	—	—	—	"
Lonrho (c)	90	7½	—	11	6	14½	—	92p
Lonrho (c)	100	3½	10	6	156	9½	11	"
Lonrho (c)	110	1½	2	4	—	—	—	"
Lonrho (p)	90	4½	2	6	151	8½	—	"
P & O (c)	140	5½	5	10	1	12½	—	132p
P & O (c)	160	5	—	5	1	—	—	"
Racal (c)	330	41	1	60	—	—	—	365p
Racal (c)	360	25	19	40	—	53	—	"
Racal (c)	390	12	30	24	2	37	—	"
Racal (p)	360	17	39	25	—	28	—	365p
Racal (p)	390	36	17	38	—	40	—	"

C=Call P=Put

SHARE STAKES

Hollis Bros. E.S.A.—Industrial Equity (Pacific) has purchased 75,000 ordinary bringing total holding to 725,000 shares (8 per cent).

Dewhurst Dent—Textile Investment Company has acquired 25,000 ordinary, and total holding is now 2.85m (28.2 per cent).

Moben Group—London Trust Company now holds 6.2 per cent of the share capital.

East Lancashire Paper Group—Greenbrook Securities holds 320,000 shares (16.88 per cent).

Globe Investment Trust—On Friday the Coal Board Pension Funds bought 1m ordinary shares (0.62 per cent) which brought holding to 15.25 per cent.

Drayton Premier Investment Trust—On Friday the Coal Board Pension Funds bought 235,000 shares (0.82 per cent) which brought holding to 26.25 per cent.

Ewart New Northern—London Trust Company has sold its holding of 65,000 ordinary shares (10.02 per cent).

Hill and Smith—Scottish Northern Investment Trust is now beneficial owner of 620,000 ordinary shares (3.28 per cent).

River and Mercantile Trust—Scottish Widows' Fund and Life Assurance Society announces that a subsidiary has sold 486,978 ordinary shares, thereby reducing the group's holding to 944,000 shares (less than 5 per cent).

United Guarantee (Holdings) — International Property Development has now disposed of an interest in the ordinary stock of the company amounting to £59,820.95 which reduces holding to nil. Archmount has acquired an interest in £59,820.95 ordinary stock of the company, representing a holding of 23.17 per cent.

Winchmore Investment Trust—Mr. M. F. Somerset-Leeke now holds 111,000 shares (6.1 per cent).

City and Commercial Investment Trust — The Merchant Navy Officers Pension Fund is the beneficial owner of 487,500 capital shares (13.9 per cent).

EVERED SELLS LOSS-MAKER

Evered and Co. Holdings, manufacturer of ferrous and non-ferrous extrusions and plastic products, has sold certain assets of its ferrous metal stockholding business, traded as Active Service Metals (ASM), to Aalco, a subsidiary of British Petroleum, for some £145,000. ASM's trading assets in Smethwick, West Midlands, were acquired on May 30, 1981, while other assets situated in Manchester are to be transferred on June 30. The purchase price will be based on stock values at the effective dates and includes fixed assets written down in Evered's books at December 31, 1980 of £14,000.

The company yesterday said that all debtors, cash and bank balances were excluded from the sale, as were the liabilities of ASM. Evered said that the sale will eliminate a loss-making business from its books, and reduce group borrowings, thus helping to finance recent acquisitions. Aalco has said that it will retain half of ASM's 20 employees.

HEERY PURCHASE

Mr George Heery, chairman of Heery International, announced the completion of the purchase of Y. J. Lovell Group's 50 per cent shareholding in the Heery affiliate, Heery Associates (UK) Ltd.

Heery Associates (UK) thus becomes a wholly owned subsilary of Heery International, Inc.

DRAKE & SCULL

Drake and Scull Engineering, a subsidiary of Drake and Scull Holdings, has negotiated the continuing operation of a limited liability partnership in the Kingdom of Saudi Arabia.

The shares previously held by Mr Ahmad Nassir Albinali have been transferred to Mr Abdullah Ahmad Alnaimi, a prominent Saudi Arabian businessman.

CORNELL DRESSES

Cornell Dresses is selling its 50 per cent interest (5,000 ordinary shares) in its associated company Active Fashions for £10,650 cash. In addition Active Fashions will repay the loan outstanding from Cornell of £139,350 in two tranches—the first of £62,350 on completion and the balance of £77,000 will be repaid on September 15 1981.

FOTHERGILL LINK

FOTHERGILL AND HARVEY and the U.S. Cynanamid Company have signed a letter of intent to form a joint company to manufacture and market a range of advanced composite and other materials for the European industry.

MINING NEWS

Teck in new exploration

BY KENNETH MARSTON, MINING EDITOR

CANADA'S Teck Corporation and Copperfields Mining Corporation (which owns 51 per cent of Teck) announce that negotiations are in hand with Aquitaine of Canada and the Federal Government which could lead to the formation of a new oil and gas frontier (offshore and islands) exploration company.

The newcomer is tentatively named Teck Frontier Exploration. John Soganich reports from Toronto that if all goes as planned Teck Frontier and Aquitaine would form a joint exploration company.

The last-named would participate in Aquitaine's extensive holdings in the Beaufort Sea, Davis Strait and off the east coast of Labrador. It would also farm in on other frontier holdings that become available.

Teck Frontier would hold a majority interest in the new exploration company which would be funded pro rata with Aquitaine.

Because Teck's Canadian ownership rating (COR) is insufficient, it is necessary to form the new, constrained share company, Teck Frontier, shares of which can only be held by Canadian residents, as defined by the Petroleum Monitoring Agency. Teck shareholders will be given warrants entitling them to purchase shares of Teck Frontier. Holders of Teck who do not qualify will be able to sell their warrants.

Copperfields and Teck will participate on a 20:80 basis. Copperfields, with a high COR, will be able to hold its participation in Teck Frontier directly.

In order to ensure that its COR does not diminish and jeopardise the agreement, Copperfields will call a special shareholders' meeting to convert it into a constrained share company as well, so that Copperfields can meet its commitments under the agreement between Copperfields, Teck and Aquitaine.

In another development, Teck has agreed to sell its common and preferred shares of Coseka Resources to Bramalea, a real estate developer, for C$85.5m (£34.5m).

Ashton: long term contract favoured

AUSTRALIA'S Ashton Mining, which has a 38.2 per cent stake in the Ashton joint diamond venture in Western Australia, would prefer to enter long term sales contracts for the proposed diamond production with "reputable buyers rather than selling direct to dealers, cutters and polishers," according to the Ashton Mining chairman, Mr Oscar Meyer.

Presumably Mr Meyer's mention of reputable buyers referred to De Beers' Central Selling Organisation which handles the marketing of over 80 per cent of the world's rough diamond production.

The Rio Tinto-Zinc group's CRA, which is the Ashton venture leader with an interest of 56.8 per cent, has already announced that marketing studies are being carried out and these will have included talks with De Beers.

Although the diamond market is depressed at the moment and the CSO is carrying heavy stocks of unsold diamonds, the organisation will be anxious to maintain its grip on the market by handling Ashton stones, especially as it now appears to be losing the 14-year exclusive sales arrangement with Zaire which is the world's largest producer of industrial diamonds.

A high proportion of the Ashton venture's production will be in the form of industrial quality diamonds which, of course, have a far lower value than gem stones. Even so, Mr Meyer thought that production of about 22.5m carats a year from Ashton's AK1 kimberlite pipe would equal 6 per cent of the value of world diamond output.

Commercial production from the pipe is not expected until early in 1985, but small-scale output from the venture's small, but high grade, Upper Smoke Creek deposit is expected soon. Revenue from this production should be sufficient to fund the cost of the joint venture's ongoing evaluation and exploration.

It will not, however, make any significant contribution towards the construction costs of a large-scale plant. Mr Meyer estimated development costs at A$410m (£227m) and pointed out that long term contract sales would give a more stable cash flow and assist in securing borrowing to meet the development costs. Ashton Mining shares were 2p up at 114p yesterday.

Molybdenum mine to reopen

THE KITSAULT molybdenum mine in north-west British Columbia is to reopen after being closed down last week on environmental grounds.

Mr Romeo Leblanc, Canada's Fisheries and Oceans Minister, who requested the closure, said yesterday that if Amax Canada, the mine's operator, was proposing to reopen the mine, this could only be because the company was satisfied it was not in breach of the regulations covering waste material being deposited in water at Alice Arm.

Amax Canada, the local subsidiary of the major U.S. mining company, said that the waste deposits amounted to less than five parts in a million, and did not violate the "practical terms and guidelines" of the regulations.

U.S. Borax, the Rio Tinto-Zinc subsidiary which plans to develop a molybdenum deposit at Quartz Hill, Alaska, said that Kitsault's tailings problems did not shake the company's confidence in marine disposal for its own proposed operation.

The Mayor of Wilmington said he had signed an agreement with Amax, the third largest coal producer in the U.S., to start a feasibility study which could lead to the construction of a loading facility capable of handling between 5m and 10m tons of coal a year.

Yearlings total over £11m

Yearling bonds totalling £11.15m at 13 per cent redeemable on June 9 1982 have been issued this week by the following local authorities:

Aylesbury Vale DC (£1m); Tandridge DC (£0.25); Wigan (The Metropolitan Borough of) (£1m); Chorley BC (£0.25m); Glamorgan (Vale of) BC (£0.25); Gravesham BC (£0.5m); Kettering BC (£0.3m); North Bedfordshire BC (£0.5); Liverpool (City of) (£2m); Glasgow (The City of) DC (£1.25m); Redbridge (London Borough of) (£0.5m); West Yorkshire Metropolitan CC (£0.75m); Kensington and Chelsea (Royal Borough of) (£0.5m); Alnwick DC (£0.1m); Chiltern DC (£0.5m); Greenwich (London Borough of) (£1m); Test Valley BC (£0.5m).

West Lothian DC has issued £1m of 13¾ per cent bonds at par for redemption on May 30 1984 and Crewe and Nantwich BC has issued £0.5m of 13¾ per cent bonds at par for redemption on June 1 1983.

EUROPEAN OPTIONS EXCHANGE

Series		Vol.	Last	Vol.	Last	Vol.	Last	Stock
		Aug.		Nov.		Feb.		
GOLD C	$450	1	46B	—	—	2	82	$475
GOLD C	$475	10	31	—	—	16	66	"
GOLD C	$500	6	20	9	33	—	—	"
GOLD C	$525	8	10	1	27	—	—	"
GOLD C	$550	3	7	16	17B	—	—	"
GOLD P	$450	5	8	—	—	—	—	"
		June		Sept.		Dec.		
GM C	$60	—	—	10	2	—	—	$55⅝
		July		Oct.		Jan.		
AKZO C	F.17.50	20	6.70B	—	—	—	—	F.22.20
AKZO C	F.20	79	4.50	20	5.30 B	—	—	"
AKZO C	F.22.50	225	2.70	11	3.30 B	—	—	"
AKZO C	F.25	305	1.20	125	2.50	115	3.50	"
HEIN C	F.50	5	5	—	—	—	—	F.50
HEIN C	F.55	28	0.80	15	3	—	—	"
HEIN C	F.60	—	—	31	1.50	—	—	"
HEIN P	F.55	22	5B	—	—	—	—	"
HOOG C	F.17.50	7	1.40 A	—	—	—	—	F.18.10
HOOG C	F.20	—	—	88	1.50 B	—	—	"
HOOG C	F.22.50	—	—	60	0.70	—	—	"
IBM C	$60	7	2⅛	—	—	—	—	$60
IBM P	$60	—	—	10	2¾	—	—	"
KLM C	F.100	14	35	—	—	—	—	F.135
KLM C	F.110	10	24.50 B	—	—	—	—	"
KLM C	F.130	35	13.50 B	—	—	—	—	"
KLM C	F.140	112	8	—	—	—	—	"
KLM P	F.100	—	—	10	2.80	—	—	"
KLM P	F.110	107	1.50	10	5.90	—	—	"
KLM P	F.120	15	4	—	—	—	—	"
KLM P	F.130	28	8.20 B	10	13.50	—	—	"
KLM P	F.140	22	14.40	—	—	—	—	"
NATN C	F.110	—	—	17	6	—	—	F.107.90
NATN C	F.125	15	0.20	20	1.10	—	—	"
NATN P	F.110	—	—	—	—	10	8	"
PHIL C	F.17.50	16	6.70	51	7	—	—	F.24.20
PHIL C	F.20	917	4.40	218	4.80	58	5.30	"
PHIL C	F.22.50	1117	2.20	411	3 A	28	3.90	"
PHIL C	F.25	991	0.90	533	1.90	956	2.70	"
PHIL C	F.22.50	—	—	121	0.40	105	0.80	"
PHIL P	F.25	84	1.20	305	1.40	—	—	"
RD C	F.80	31	5.10	—	—	—	—	F.83.30
RD C	F.90	145	1.70	47	3.80	11	5.50	"
RD C	F.95	30	0.70	—	—	—	—	"
RD C	F.100	41	0.40	34	1.80	—	—	"
RD P	F.80	347	2.40	140	4.10	—	—	"
RD P	F.90	254	6.50	27	8.50	50	9.50	"
RD P	F.95	365	12.50	—	—	—	—	"
RD P	F.100	43	17	6	18.50	10	19.50	"
UNIL C	F.160	—	—	—	—	20	4.30	F.144.30
		Aug.		Nov.		Feb.		
BOEI C	$35	15	¾	28	2	—	—	$31¼
SLUM C	$110	17	2	—	—	—	—	$95⅛
VEBA C	DM.130	24	1.60	—	—	—	—	DM125.30

TOTAL VOLUME IN CONTRACTS 9335
A=Asked B=Bid C=Call P=Put

هكذا من الأصل

$500m credit for Italian railways

By Peter Montagnon, Euromarkets Correspondent

ITALIAN STATE RAILWAYS, Ferrovie dello Stato, is raising a $500m seven-year credit in the Euromarkets as the pace of Italy's foreign borrowing continues to accelerate after completion of the $1bn earthquake reconstruction loan for Cassa per il Mezzogiorno.

Dillon Read is trying to assemble a lead management group to underwrite the Ferrovie credit on the basis of a margin over London interbank rates of ½ per cent or ¼ per cent over U.S. prime rate for the first two years rising to ⅝ per cent.

It is understood that the loan has already received a warm response from the Japanese banking community, who are expected to provide half the funds required. The remainder is to come from other institutions who are being a little slower to respond.

International bankers expressed concern yesterday over the volume of Italian credits before the market. These include a $150m transaction for the State financing company, IMI, a $75m credit for the telecommunications body SIP, and $250m for Hydrocarbons International, a financing arm of the ENI oil concern.

In addition Fiat, a private sector borrower, is raising $200m and other public sector borrowings are believed to be in the pipeline.

Some bankers suggest that volume such as this could lead to upward pressure on loan margins for Italy as international bank loan limits are approached. Already the Ferrovie credit bears a higher margin over Libor than the Cassa loan, which was priced at a split ⅜—½ per cent spread.

Others say that at least one major borrowing, for the electric concern, ENEL, may be delayed for a while

$75m straight bond for French borrower

BY FRANCIS GHILES

THE FIRST fixed interest dollar denominated Eurobond for a French borrower since the Presidential elections last month was announced yesterday $75m for Caisse Nationale des Autoroutes, through Goldman Sachs and Caisse des Depots

The borrower is paying a coupon of 15¼ per cent for 15 years and the notes have an average life of 10.8 years. The final price has been set at par and the selling discount available to most institutional investors will be 1¼ per cent.

The reception afford to this bond will be carefully monitored in the international capital markets both because of the nationality of the borrower and because the past 12 months have not seen any very long fixed interest dollar Eurobonds. Elsewhere in the dollar sector prices of straight bonds gained ¼ point in what dealers described as *mainly professional* tradin.

Prices of foreign D-mark bonds declined by ¼ of a point yesterday in thin trading despite an improvement in the German domestic bond market. The DM 100m 10-year public foreign bond issue launched for the European Investment Bank on Tuesday appears to have met with good reception, essentially on account of its high coupon of 10¾ per cent.

Meanwhile, Swiss franc foreign bonds prices moved up ⅜ of a point on average in thin trading.

A new public bond issue in Swiss francs was announced yesterday by Credit Suisse for Voest-Alpine, the Austrian steelmaker. The 10-year *issue is for* SwFr 100m and the offer yield is indicated at around 8 per cent, to be finalised next Tuesday.

Iberduero, the Spanish hydroelectric company is to issue a SwFr 50m 10-year floating rate note next week through Handelsbank. The interest rate is expected to be ⅜ per cent over six-month Swiss franc Libor, with a minimum of 10 per cent for the first payment and 7 per cent thereafter.

Ihara Chemical Industry Company has launched a SwFr 20m five-year convertible private placement carying a coupon of 4¼ per cent and conversion premium of around 3 per cent. *Credit Suisse* is the lead manager.

A five-year SwFr 15m private placement has been issued for Finance for Danish Industry through Swiss Volksbank. The notes carry a coupon of 8¼ per cent.

In Luxembourg Compagnie Internationale des Wagons-Lits has arranged a five-year private placement with a coupon of 13¾ per cent. The amount is *LuxFr 150m and the lead man*ager is Paribas Luxembourg.

Schlumberger to expand

BY OUR FINANCIAL STAFF

SCHLUMBERGER, the French controlled but U.S. gased oil field services group, is to concentrate on research and engineering activities in this area to remain leader in the field and also plans to broaden its activities geographically.

M Jean Riboud, the chairman, said that because of the present oil glut, growth in oil exploration would slow to some extent, but this would on the whole be healthy for the oil servicing industry after the "crazy" rate of oil exploration in recent years, particularly in the U.S.

M. Riboud was in Zurich for the introduction of Schlumberger common shares on the Zurich, Basle and Lausanne bourses.

In the company's second main area of activity measurements, control and components, business in Europe was progressing satisfactorily apart from the UK, M Riboud said.

Aluminium subsidiary lifts result at Huletts

By Des Kilalea in Johannesburg

HULETTS CORPORATION, which is one of the big three South African sugar producers, *and in which Anglo* American has a 33 per cent stake, has reported a 26 per cent rise in turnover to *R520.6m ($611m) for the year* to March against R413.2m last time and pre-tax profits up by 29 per cent to R67.2m. After allowing for additional depreciation of R9.7m, against R8.1m, based on replacement costs, earnings per share rose to 79.9 cents from 62.2 cents. The final dividend is raised from 22 cents to 42 cents for a total of 54 cents compared with 44 cents.

The results largely reflect an increased contribution from the 60 per cent owned Huletts Aluminium (Hulmin) *as drought conditions* have reduced national sugar production by around 30 per cent. Huletts Corporation was one of the worse hit. Most of its cane plantation land is in North Zululand where weather conditions have been most severe.

Huletts was reorganised in the year as a result of Barlow Rand's move into the sugar industry previously controlled by C. G. Smith group (in which Barlow now has a majority stake) and the Tongaat group. C. G. Smith sold its interest in Huletts to Anglo American. The *considera*tion included cash and Huletts packaging subsidiary. Since end March, however, Huletts has raised its interest in Hulmin to 76 per cent.

The extent to which Hulmin improved its performance can be gauged from the profit and loss account. The interest of outside shareholders and subsidiaries, mostly in Hulmin, totalled *R8.4m compared with R4.3m* in 1979-80.

Despite the buoyant Hulmin results and their effect on Huletts, sugar related shares are under a cloud on the Johannesburg stock exchange. Yesterday Huletts shares stood at 810 cents yielding 6.7 per cent compared with a 5.6 per cent market average.

FULL BID TRIGGERED

UOB increases stake in Haw Par

BY GEORGIE LEE IN SINGAPORE

UNITED OVERSEAS BANK (UOB) has launched a takeover bid for Haw Par Brothers International, which values the Singapore-based investment group at S$497m (US$230m). However, its offer price is at a level below the latest price at which Haw Par shares were previously being traded in the market.

The bid follows UOB's agreement to purchase the 11.37 per cent stake in Haw Par held by Charter Consolidated, the UK *mining and industrial* group, for S$56.5m, a move which triggered an offer under Singapore regulations.

UOB *is acquiring Charter's* entire holding of 14.13m Haw Par shares at S$4 a share, compared with the S$4.24 at which the shares were traded ahead of the bid announcement. The vehicle for the offer is United Overseas Securities (UOS), a wholly-owned UOB subsidiary.

The bank itself currently holds 20.5m Haw Par shares, while United Overseas Insurance, a subsidiary, owns another 1.5m shares. With the latest acquisition, UOB's holding in Haw Par will be raised to 36.13m shares, equivalent to *29.09 per cent of Haw Par's* issued capital.

UOB's offer for the remaining Haw Par shares is mandatory *at this level of holding, under* the requirements imposed by the Singapore Court on Takeovers and Mergers.

UOB's offer is conditional on the group receiving acceptances in respect of sufficient shares to raise its holdings in Haw Par's issued capital to more than 50 per cent.

UOB's stake in Haw Par is the group's most significant industrial interest. UOB is the biggest single shareholder in Haw Par.

UOB, which is one of the big four banks in Singapore, recently reported a sharp rise in earnings for 1980 having raised S$127m through a rights issue last August. At S$92.3m *after tax profits were 76 per* cent ahead. Haw Par's profits were S$19.5m against S$8.5m previously.

Morgan Grenfell Asia is acting as adviser to shareholders of Haw Par.

● United Overseas Bank also said yesterday that the foreign holding in its capital at the end of last month reached the 20 per cent maximum that foreigners are allowed to own or control in a Singapore bank. The 20 per cent holdings included 6.18m ordinary shares to be issued upon the full con*version of the company's 6¼ per* cent convertible bonds in 1988.

UOB said the directors might hereafter decline to register *any transfer of ordinary shares* to foreigners.

GM to spend $6bn in Europe

BY PAUL LENDVAI IN VIENNA

GENERAL MOTORS, the U.S. car maker, is to invest $6bn in Europe out of a total $8bn spending programme outside the U.S. over the next four to five years, according to Mr. Roger B. Smith, the company's president.

Austria would have a key position in the investment programme, Mr. Smith told *journalists in Vienna.*

He confirmed GM's commitment to build a large plant near Vienna, with a production staff of 3,000, to turn out 270,000 engines and 385,000 gear boxes a year. This dispelled doubts expressed about the project, which involves a total investment of Sch 7.8bn ($230m). The Austrian Federal Government and Vienna municipality are to put up Sch 2.6bn in subsidies.

Mr. Smith stressed that GM spent Sch 1bn last yetar on buying parts and components from *Austrian firms. It would spend* Sch 6.2bn in the initial phase on building and equipment for the plant.

Mr. Smith, who inspected the construction site and had talks with Dr. Bruno Kreisky, the Federal Chancellor, said that according to U.S. estimates car sales in Europe could rise in the 1980s by 3.5 per cent a year.

● Dow Chemical of the U.S. is considering the setting up of a chemicals production subsidiary in Austria, initially with a workforce of 40, Mr. Jack Helfenstein, manager of Dow's *trading company for Austria* and Eastern Europe, said in Vienna. A final decision would be made before the end of this year and the plant could go on stream in 1983.

Profit growth to continue at L'Oreal

By Terry Dodsworth in Paris

L'OREAL, THE fast-expanding French cosmetics and pharmaceuticals group, increased net profits by 16 per cent last year and is predicting another healthy performance in 1981.

According to M Francois Dalle, chairman, the group has stayed well on course with its objective *of doubling its activi*ties during the next five years.

Profits last year rose to FFr 387m ($70.4m) compared *with FFr 333m in 1979*, while turnover went up by 35 per cent to FFr 8.6bn. Cash flow reached FFr 653.5m, while investments, at FFr 306m, remained roughly at the same level as the previous year.

While the company5s debts rose sharply last year, going up by FFr 143m to FFr 574.6m, this was caused in the main by the acquisition of Metabio-Jouillie, the pharmaceuticals company which has now been injected into the existing activities at Synthelabo.

The pharmaceuticals activities accounted last year for about 22.4 per cent of sales, with cosmetics contributing the major part of the turnover at 72 per cent.

The pharmaceuticals division is still weighed down by heavy investment and development expenditure, cosmetics last year *performed buoyantly, account*ing for more than 92 per cent of the total profits. Cosmetic margins also improved, said M Dalle, with profits going up by 25 per cent against a sales growth of 19 per cent.

Defence and energy sectors boost Litton

By Our New York Staff

LITTON INDUSTRIES, the Los Angeles-based industrial conglomerate, has reported a 12 per cent gain in third quarter operating profits on sales up 18 per cent at $1.35bn.

Net profit for the quarter was $89m, after a $56m gain from the sale of the company's pub*lishing interest to the* International Thomson Organisation of Canada

Mr. Charles Thornton the chairman, said that strong growth in the company's energy and defence related businesses had improved the financial picture and taken Litton to the strongest position it had ever achieved.

Monsanto sees upturn in annual performance

BY OUR FINANCIAL STAFF

MONSANTO, fourth largest of the U.S. *chemical* companies, expects 1981 to be a "much more acceptable year" for company profits, following the 1980 *results which were depressed* primarily by write-offs on two large operations, Mr John Hanley, chief executive officer, said

Results *for the first quarter* of 1981 were encouraging, with textiles operations in the black for the first time, while the company's full-year figures should benefit from growth in the U.S. economy

Monsanto announced in April that first quarter net income of $176m had risen from $164.2m a year earlier

Results for fiscal 1980 showed *net income falling to $148.8m* on sales of $6.57bn, against $331m net income on sales of $6.19bn a year earlier.

Mr Hanley said 1982 could turn into a very good year if demand in two major markets, housing and motor cars, picks up.

The recession in these sectors last year, together with the two major write offs, following Mon*santo's withdrawal from the* polyester filament business and from its 67 per cent participation in Aiscondel SA, a Spanish chemicals and plastics subsidiary, contributed to poor 1980 results.

American Home and Sanofi in drugs link

By Ian Hargreaves in New York

SANOFI, the pharmaceutical subsidiary of Elf-Aquitaine, the French oil group, has formed a joint venture with American Home Products, the U.S. food and drug company, which will develop and market in the U.S. products for which Sanofi has already completed the basic research.

Sanofi will hold 51 per cent of the new venture, which represents its first move into the U.S. market other than through licensing agreements. The company last year had sales of $1.1bn and has had ties with American Home since 1980 when Sanofi took over a smaller French pharmaceutical company with which Amercian Home had long-standing links.

American Home said that Sanofi, which spent $80m last year on research and development, had important products to offer in the U.S. market

For the U.S. company, which sold $1.6bn of prescription drugs last year out of total sales of $4.1bn, the agreement with Sanofi represents an opportunity to fill a gap left since termination of *licensing agreements with Im*perial Chemical Industries (ICI) of the UK and Rhone Poulenc of France.

AMERICAN QUARTERLIES

COMMONWEALTH EDISON	1980-81 $	1979-80 $
12 months		
Revenue	3.48bn	2.84bn
Net profits	375.6m	320.3m
Net per share	2.73	2.62

DETROIT EDISON	1980-81 $	1979-80 $
12 months		
Revenue	1.89bn	1.71bn
Net profits	172.5m	117.3m
Net per share	2.10	1.61

JEWEL COMPANIES	1981 $	1980 $
First quarter		
Revenue	1.12bn	884.9m
Net profits	13.8m	9.4m
Net per share	1.01	0.84

REXNORD	1980-81 $	1979-80 $
Second quarter		
Revenue	307.2m	297.8m
Net profits	12m	15.6m
Net per share	0.60	0.79
Six months		
Revenue	565m	547.3m
Net profits	19.7m	24.5m
Net per share	0.98	1.23

J. P. STEVENS	1980-81 $	1979-80 $
Second quarter		
Revenue	510.8m	515.5m
Net profits	2.8m	6.4m
Net per share	0.19	0.45
Six months		
Revenue	942.2m	950.6m
Net profits	5.3m	10.7m
Net per share	0.37	0.75

WESTVACO	1980-81 $	1979-80 $
Second quarter		
Revenue	394.3m	356.2m
Net profits	25.1m	21.7m
Net per share	0.98	0.86
Six months		
Revenue	756.6m	687.1m
Net profits	44.8m	40.1m
Net per share	1.75	1.58

WICKES	1981 $	1980 $
First quarter		
Revenue	893.1m	911.2m
Net profits	†5.3m	†12.1m
Net per share	†0.49	†0.82

† Loss.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Thursday June 11. Closing prices on June 3

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Air. 15¾ 88 (WW)	55	100⅞	101⅜	+0¼	+0⅞	14.88
Amoco 13¾ 88	75	96¼	96¾	0	+1¼	14.30
CIBC 14½ 84	185	97⅛	97⅝	−0½	−0⅞	15.59
CNE 12¾ 91	100	89¾	89¾	+0¼	+1¼	14.82
Citicorp O/S Fin. 10 86	300	85	85½	+0¼	+0⅞	14.28
Citicorp O/S Fin. 12 87	200	90¼	90¾	0	+0¼	14.36
Con. Illinois O/S 9¾ 86	150	82¾	83¼	0	+1	14.76
Dupont Canada 13½ 91	65	95¾	96¼	+0¼	+1½	14.25
EEC 11 95 (August)	70	79	79½	+0¼	+2	14.49
EIB 12¾ 89	75	90⅜	90⅞	+0¼	+1½	14.82
Eldorado 13¾ 88	50	94⅞	94⅞	+0¼	+1	14.83
Elec. de France 10 88	125	80	80½	+0¼	+1	14.66
Elec. de France 13 88	125	92½	92¾	0	+0¼	14.83
Export Dv. Cpn. 9½ 88	150	81⅞	82⅜	−0⅛	+0½	15.70
Fed. Bs. D. 12¾ 85 (N)	50	92⅜	92⅞	+0¼	+1¼	14.66
Fin. Exp. Credit 10½ 85	50	84⅛	84⅝	0	+0¼	15.88
Finland, Rep. of 9½ 88	100	80¼	80¾	+0¼	+0⅞	15.54
Ford Credit O/S 14⅛ 83	150	97⅞	98⅜	+0¼	+0¼	15.45
Ford Cr. O/S Fin. 16 84	150	102⅝	103	+0¼	+0½	14.59
Gaz de France 13½ 88	80	96⅛	96⅝	+0¼	+0⅞	14.57
GMAC O/S Fin. 12 87	100	88½	89	−0½	+0¼	14.81
GMAC O/S Fin. 12⅞ 88	100	91⅜	91⅞	0	+0¼	14.89
Gen. Mtrs. O/S 11¾ 87	100	88⅜	88⅞	−0¼	+0¼	14.60
Genstar 14¾ 91	50	98⅜	98⅞	−0¼	+0½	15.00
GTE Fin. 13¾ 85 (WW)	50	96¼	96¾	0	+1½	14.78
Hudson's Bay 11½ 90	75	84¾	85¼	+0½	+1¼	14.59
IBM Wld. Trade 12¾ 88	200	97⅛	97⅝	+0¼	+1	13.07
Newfoundland 13½ 90	60	93⅜	93⅞	+0½	+2	14.86
Nova Scotia 10¾ 90	50	82⅛	82⅝	+0¼	+2¼	14.29
OKB 10 85	50	85⅜	85⅞	+0¼	+0¼	14.80
Ontario Hydro 13½ 91	100	94¾	95¼	0	+1	14.45
Quebec Hydro 11¾ 92	100	82⅛	82⅝	+0¼	+1¾	14.78
Queb. Hy. 13 91 (WW)	100	88⅛	88⅝	−0½	−0¼	15.29
Royal Bk. Canada 14 86	100	97⅛	97⅝	−0½	+0¼	14.69
SNCF 12½ 85	50	93⅜	93⅞	0	+0¼	14.60
SNCF 13 91	75	91½	92	+0¼	+1¼	14.61
Sth. California Ed. 14 87	50	97⅝	98⅛	+0¼	+1¼	14.50
Sven Handelsbk. 13¾ 88	45	92⅞	93⅜	−0½	+0¼	15.45
Sweden 12¾ 85	150	91½	91⅞	0	+0¼	16.11
Swed. Ex. Credit 12 83	50	93	93½	−0¼	+0¼	15.57
Swed. Ex. Credit 13 86	75	91	91½	+0¼	+1	15.73
Toronto-Dom. Bk. 14 84	50	96½	97	−0½	−0¼	15.43
Tribune O/S Fin. 14 86	50	96	96½	+0¼	+0¼	15.11
World Bank 9¾ 85	200	85	85½	+0¼	+0¼	14.88
World Bank 10¾ 87	300	83⅜	83⅞	+0⅞	+1¼	14.50

Average price changes... On day +0¼ on week +0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	96¾	97½	−0½	−0½	10.47
Austria, Rep. of 8¾ 92	150	85¼	85⅞	+0¼	+0¼	10.48
CECA 7¾ 92	150	†84½	85	−0⅞	−1⅞	10.21
CECA 10 91	120	†98⅜	99½	+0½	+0½	10.13
CI-Honeywell 8¾ 90	125	†88⅜	89	0	0	10.35
Council of Europe 10 91	100	98	98⅝	0	+0¼	10.26
EIB 8½ 90	200	87½	88¼	+0¼	0	10.59
EIB 10¾ 91	200	†99½	100¼	+0¼	0	10.51
ESCOM 9¾ 87	100	90⅞	91⅜	0	−0⅞	11.21
Finland, Rep. of 10 88	100	96⅞	97⅜	−0¼	0	10.52
Iberduero SA 9 90	100	†87½	88¼	−0¼	−2¼	11.17
Ind. Bk. Finland 8½ 90	50	†88¼	89	−0¼	0	10.44
Int.-Am. Dv. Bk. 10 91	100	†99	99¾	0	+0¼	10.09
Japan Air Lines 8¾ 87	100	89¾	90½	−0¼	+0¼	10.36
Japan Dev. Bank 7¾ 87	100	85¼	86	0	+0¼	10.81
Kobe, City of 8 90	100	85¼	86	+0¼	0	10.53
Midland Int. Fin. 8½ 90	180	87⅞	88⅜	−0¼	+0¼	10.51
Nuclebras 9¾ 88	100	†87⅞	88¼	0	−0¼	12.34
OKB 6¾ 92	150	†84¼	85	−0¼	−0½	10.66
Oslo, City of 8¾ 90	80	91	91¼	−0¼	−0½	10.28
Venezuela, R. of 9¾ 90	150	92½	93¼	0	0	10.98
World Bank 8 90	700	83	83¼	−0¼	−1¼	10.96
World Bank 10 86	150	99¼	100	0	−0¼	10.09

Average price changes... On day −0¼ on week −0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	60	93¼	93¾	0	−0¼	7.49
BFCE 6½ 91	100	94½	95½	+0⅞	+0¼	7.23
Bayer Int. Fin. 5¾ 92	100	89⅞	90⅜	+1⅛	+1⅛	6.53
Bergen, City of 6¾ 91	40	98¼	98⅝	0	+0¼	7.00
Bhrmn.-Tatterode 7 90	40	100	100⅛	0	+1⅞	6.98
CECA 6¾ 91	80	94⅞	95⅜	+0¼	+0⅛	7.48
Denmark 5¾ 90	100	85½	86¼	+0⅜	+0¼	7.86
Dome Petroleum 5¾ 91	100	†92¾	93	0	+0¼	6.79
Elet. de France 5¾ 90	100	87	87½	0	+1	7.17
Eurofima 5¾ 92	80	98	99	0	0	5.93
F. G. H. Hypo. Bk. 6 90	50	91⅛	92	+0¼	+1½	7.26
Finland, Rep. of 5½ 90	80	87⅞	87⅞	+1¼	+1¼	7.57
Franc. Petroles 6½ 91	80	†83¼	83⅞	+0¼	+0¼	7.41
Genstar 7 91	100	100⅛	100⅜	+0¼	+0¼	6.93
Int.-Amer. Dv. Bk. 7 91	100	98¼	98⅝	+0¼	+0⅛	7.23
Japan Dev. Bank 5¾ 90	100	92	92½	0	−0¼	6.90
Mt. Blanc Tunnel 5¾ 90	80	87¼	88	+0⅛	+1⅛	7.37
Neweg 5¾ 90	80	90	90½	+0⅞	+0⅛	7.25
OKB 7 93	100	98¼	99	0	+0⅛	7.14
Oslo, City of 5⅞ 90	80	89¼	89⅞	+1⅛	+1⅛	7.49
Philips Lamps 5¾ 92	100	86½	87	+1⅛	+0¼	7.00
Swed. Ex. Cred. 7¼ 91	75	96⅞	97¼	+0¼	−0⅛	7.69
Trade Dev. Fin. 6¾ 90	50	†92	93	+0¼	0	7.26
Voest-Alpine 5¾ 90	80	87	87¼	−0⅛	0	7.73
World Bank 6 91	100	92¼	92¾	+0¼	+1¼	7.13
World Bank 7 90	100	100⅛	100⅜	+0¼	+0¼	6.92

Average price changes... On day +0¼ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8¾ 91	15	97⅝	98⅞	−0¼	0	8.49
Australia 8½ 88	20	88⅛	88⅞	−0¼	0	9.38
EIB 7¾ 88	12	91¼	92⅛	−0¼	−0¼	9.16
Finland 5.6 83	10	90½	91⅛	−0¼	−0½	9.95
Finland 6.8 88	10	85½	86¼	−0¼	−1¼	9.88
Finland, Rep. of 8½ 87	15	97⅛	98⅛	−0¼	−0⅛	8.82

Average price changes... On day −0¼ on week −0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 85 C$	60	86½	88	0	+0½	14.28
CIBC 13½ 85 C$	50	85	97	0	+0¼	14.90
CIBC 11¾ 85 C$	60	87½	88½	−0½	−0½	15.64
Federal Dev. 11½ 90 C$	60	†87	87½	−0¼	+5¾	14.02
Fst. Can. Inv. 10 84 C$	50	†85¼	86¼	0	0	16.21
R. Bk. Canada 10 86 C$	40	89¾	90¼	0	+0¼	12.88
Tordom Cpn. 13½ 85 C$	30	†93	94	0	−2⅞	15.82
M. Bk. Dnmk. 9 91 EUA	25	89½	90½	−0½	−0¼	10.61
SOFTE 8¾ 89 EUA	40	87¾	88¾	0	+0¼	10.51
U. Bk. Nwy. 9½ 90 EUA	18	96⅞	97⅝	+0½	+0½	9.99
Algemene Bk. 10¾ 86 Fl	60	95	95½	+0¼	−0¼	11.58
Bk. Mees & H. 10 85 Fl	75	94¼	94¾	−0¼	−1¼	11.76
Heineken NV 10 87 Fl	100	93¾	94½	0	+0¼	11.43
Nat. Nedrlndn. 10 88 Fl	60	93⅞	94⅜	+0¼	+1¼	11.27
Ned. Midd. Bk. 10 85 Fl	75	94⅞	94⅞	−0¼	−0¼	11.71
Pierson 10¾ 85 Fl	50	94¾	95¼	0	−0¼	11.65
Air France 14¾ 86 FFr	200	92⅜	93⅛	−0¼	+0¼	16.63
Bk. America 14¾ 86 FFr	250	92½	93¼	−0½	−0½	16.79
Charb'nages 13¾ 85 FFr	400	91⅞	92⅜	−0¼	+0⅛	16.47
EIB 14¾ 88 FFr	300	90⅜	91⅛	−0½	−0¼	16.46
La Redoute 14¾ 85 FFr	125	90½	91½	−0½	−0½	17.29
OKB 14 86 FFr	400	91⅜	92⅜	+0¼	+0½	16.46
Solvay et C. 14¾ 86 FFr	200	99⅜	100⅛	0	+0¼	14.77
Swed. Ex. C. 14¾ 86 FFr	250	92⅞	93⅜	−0¼	−0¼	16.76
U. Mex. Sts. 14 85 FFr	150	91⅜	92⅛	−1½	−1½	16.96
Acona 14 85 £	20	93⅜	94⅞	−0¼	+0¼	15.76
Beneficial 14¾ 90 £	20	89⅜	90	−0¼	−0¼	16.42
BNP 13½ 91 £	15	92⅜	92⅞	+0½	+0½	14.98
CECA 13½ 88 £	20	93⅜	94⅛	−0¼	+0¼	14.90
Citicorp O/S 13½ 90 £	50	94⅜	95⅛	+0¼	+1¼	14.48
Fin. Ex. Cred. 13¾ 86 £	15	95	95¾	+0½	+0½	15.13
Gen. Elec. Co. 12½ 89 £	50	90¼	91	−0¼	+0¼	14.56
Hiram Walker 14¾ 86 £	25	95¾	96¼	−0½	+0¼	15.44
Privatbanken 14½ 88 £	12	94	94¾	0	−0¼	15.87
Rothschild 14¾ 90 £	12	95½	96¼	0	+0½	15.07
Royal Trustco 14 86 £	12	95⅞	96⅜	0	+0¼	15.11
Swed. Ex. Cr. 13¾ 86 £	20	95¼	96	−0½	−0¼	15.05
Banobras 8¾ 90 KD	7	†90	90½	0	0	9.95
CCCE 8¾ 91 KD	10	†82½	83¼	0	0	11.04
Sonatrach 8¾ 90 KD	12	†93	93½	0	0	9.86
Akzo 9¾ 87 LuxFr	500	85⅜	86⅜	−0¼	0	12.50
Euratom 9¾ 88 LuxFr	500	87⅜	88⅜	0	0	12.53
Eurofima 10½ 87 LuxFr	500	91⅜	92⅜	−0¼	−0½	12.44
EIB 9¾ 88 LuxFr	600	89½	90½	0	−0½	11.99
Volvo 9¾ 87 LuxFr	500	86⅞	87⅞	−0½	0	12.75

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¼ 87	0¼	99⅛	99⅝	2/7	18⅞	16.71
Bank of Montreal 5¾ 90	0¼	99⅛	100	18/6	19½	19.55
Bank of Tokyo 5¾ 89	‡0¼	98⅜	98⅞	25/7	16⅝	16.73
BBL Int. 5 85	0¼	99⅜	100⅛	20/11	18.31	18.31
BNP 5½ 88	‡0¼	98⅞	99⅜	29/7	16.44	16.58
CNT 5¾ 86	§0¼	99⅜	99⅞	16/10	16.81	16.88
Christiania Bk. 5½ 91	0¼	97⅞	98⅜	5/8	17.31	17.64
Citicorp O/S F. 84	‡0	99⅜	99⅞	30/6	18⅞	18.95
C. Itoh 5¾ 87	0¼	98⅜	99⅛	18/9	15.44	15.61
Co-operative Bk. 6 86	0¼	99⅜	100⅛	15/11	19.56	19.56
Den Norske Credit 6 90	‡0¼	98¾	99¼	5/8	17.31	17.49
Genfinance 5¾ 87	0¼	98⅞	99⅜	30/10	16.94	17.09
Giro und Bank 5¾ 91	‡0¼	98⅞	99	23/8	14.06	14.24
GZB 5½ 89	‡0¼	98⅜	99⅛	1/8	17.31	17.49
Ind. Bank Japan 5¾ 87	0¼	99⅜	99⅞	15/10	17.06	17.17
Ind. Bank Japan 5¾ 88	0¼	98⅜	99⅛	9/10	16.44	16.58
Lloyds Eurofin 8 90 £	0¼	96⅞	97⅜	3/7	14½	14.93
Lloyds Eurofin 5¾ 92	0¼	98⅞	99⅜	4/8	17⅛	17.40
LTCB Japan 5¾ 86	0¼	99⅜	100⅛	13/6	20.19	20.19
Man. Hanov. O/S 5¾ 94	‡0¼	98⅞	99⅜	30/8	19.06	19.18
Merrill Lynch O/S 87	0¼	100⅛	100⅜	7/8	20.44	20.34
Midland Int. Fin. 5¾ 92	0¼	98⅞	99⅜	5/6	17.19	17.34
Midland Int. Fin. 9 91	0¼	98⅝	98⅞	30/10	16.81	17.09
Nacional Fin. 6¼ 88	0¼	99⅜	99⅞	25/7	17⅝	17.84
Nacional Fin. 5½ 88	0¼	98⅝	97⅜	25/9	14⅞	15.34
Nat. Bk. Canada 5¾ 88	0¼	97½	98	24/9	14⅞	14.83
Nat. West. 5¾ 94	§0¼	97½	98	14/10	16.19	16.56
Nat. West. 5¾ 92	§0¼	97⅜	98⅛	23/10	16.81	17.16
Pemex 6 91	0¼	97⅞	97⅞	8/10	15.31	15.73
Sparebanken 6 87	0¼	99⅜	99⅞	19/6	19⅞	20.00
Standard Chart. 5¾ 90	0¼	98½	99	3/9	17.06	17.28
Svenska Hndlsbk. 5 87	0¼	99⅜	99⅞	15/7	17.81	17.88

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	88	89¼	−0½	22.25
Canon 6¾ 95	1/81	829	174⅞	175⅞	−2¼	−0.92
Credit Suisse 4¾ 93	10/79	1236	82	83	0	−0.34
Digicon Fin. 8½ 95	10/81	29.5	103¾	105¼	−5¾	6.30
Fujitsu 5½ 96	7/81	732	105½	106½	−0½	8.03
Hanson O/S Fin. 9¼ 96	6/81	2.74	92	93¼	−0¼	1.74
Ina Overseas 8¾ 2000	4/81	42	111	112½	−1	2.03
Inchcape 8 95	2/81	4.55	83	84½	0	1.33
Kotobukiya Co. 7 96	4/81	619	†97	98	0	−1.11
Marion Int. Fin. 9 95	12/80	15.5	80½	81½	−1½	30.58
Matsushita El. 7¾ 95	11/80	590	100⅛	101⅛	−0¼	4.32
NKK 6½ 96	7/81	188	109¼	110¼	−0¼	14.00
Ricoh 6¾ 95	6/80	604	132	133½	−0½	−0.10
Sumitomo M. Ind. 7 95	2/81	181	151½	152½	−3¼	−0.58
Swiss Bk. Cpn. 6¾ 90	9/80	200	71½	73¼	+0¼	20.67
Taylor Woodrow 8¾ 90	1/81	4.94	100½	102	−0½	1.92
Tokyu Land Con. 7¼ 96	4/81	325	100¼	101¼	−0¼	10.47
Transco Int. 8¾ 95	2/81	68	82½	84	−0¼	33.58
Tricorp 8½ 95	12/80	31.25	82½	84	−0¼	26.91
Union Bk. Switz. 5 89	2/80	70.79	71	73	−0¼	1.45
Fujitsu 5 84 DM	7/79	431.5	193⅞	194⅞	−4¼	−4.18
Sharp Cpn. 6½ 88 DM	9/80	595	186½	187½	−2¼	−1.94
Uny Co. 6¼ 85 DM	11/79	879.3	121⅞	122⅜	−0¼	−3.09

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Dow unit is core of new bank

By Our Banking Correspondent

DOW BANKING Corporation of Switzerland and three Nordic banks have set up a new London-based bank, Dow Scandia Banking Corporation.

The bank has been established around the core of Dow Banking's London branch which has operated in the City for more than 10 years. Dow Banking, in which Dow Chemical of the U.S. has a majority stake, has 52 per cent of the capital. The remaining 48 per cent is split equally between Sundsvallsbanken of Sweden, Bank of Helsinki of Finland, and Forretningsbanken of Norway.

The bank has an issued share capital of £10m ($20.5m) and subordinated loan capital of £5m. The bank currently has assets of £168.3m and employs a staff of 24.

Mr Harold Hitchcock, the former head of National Westminster's international operations, has been appointed chairman of the new bank. Mr Henry Angst is the chief executive.

The four shareholders have combined assets of $4.7bn and capital funds of $401m. Sundsvallsbanken is the largest with assets of $1.6bn.

LIFT OFF IN AIRBUS AND HELICOPTER SALES

Improved profits for Aerospatiale

BY TERRY DODSWORTH IN PARIS

AEROSPATIALE, the French nationalised aerospace group, underlined its return to reasonable financial health last year by making a profit of FFr 135m ($25m).

This is the second consecutive year that the company has returned a profit after a lengthy spell of heavy losses in the 1970s, when it ran up a combined deficit of FFr 2.4bn between 1972 and 1979. In 1979, however, its profits amounted to no more than FFr 8m.

Aerospatiale's improved performance was also reflected in a 15.8 per cent, increase in sales to FFr 13.2bn ($2.36bn) from FFr 11.4bn while its bank debts were reduced to FFr 2.2bn from FFr 3.3bn at the end of last year.

The company, which makes a wide range of products, from helicopters and aircraft to missiles and tactical weapons, also announced a sizeable rise in its order books to FFr 34bn from FFr 25bn in 1979.

The improvement in the group's results reflects the reorganisation of the last few years, as well as increased business through such products as the Airbus, and its range of helicopters.

Its helicopter division, in particular, has grown rapidly, with sales reaching FFr 3.2bn in 1980, of which 78 per cent were exported.

Aerospatiale has now become one of the largest helicopter manufacturers in the world, and claims to be the leading exporter. Last year it took in orders for 639 helicopters, along with licensing contracts in Indonesia and China.

Aerospatiale's financial base has also been improved by the French Government with a significant capital increase. A number of State advances to the company, which regularly receives grant and loan aid for important projects, were consolidated last year. This raised its equity to FFr 1bn from FFr 447m.

● Electricite de France (EDF), the State-owned utility, moved to a net profit of FFr 83.66m ($14.9m) for 1980, compared with a deficit of FFr 677m for 1979.

Turnover was up 28.5 per cent to FFr 63.39bn for 1979 from FFr 49.32bn and its cash flow stood at FFr 13.28bn against FFr 9.63bn.

The public utility EDF plans to invest FFr 34.5bn this year up from FFr 30.1bn in 1980 and overall will need FFr 41.9bn in funds in 1981. Of this total borrowings will total FFr 23.7bn against FFr 21.2bn

Helicopter group to raise capital

BY RUPERT CORNWELL IN ROME

AGUSTA, the Italian helicopter group and the country's biggest aerospace concern in terms of sales, is planning to raise its capital from L18bn to L118bn ($100.5m) it was announced yesterday by the parent company EFIM, the state conglomerate.

The increase is expected to lead to a sharp rise in the Government's share holding in Agusta—in contrast to the trend, evident in developments at the Montedison chemicals group and elsewhere for private interests to replace public capital in Italian industry.

Currently Agusta is 51 per cent controlled by EFIM, while the remaining 49 per cent is in the hands of the Agusta family. The latter, however, is not expected to take up its full entitlement of new shares, with the result that EFIM's interest could go up to 70 per cent or higher.

Agusta, which reported profits of L6bn on sales of L438bn for 1980, seems gradually to be developing into one of the two pivots of the Italian aerospace industry—the other being the Aeritalia group, controlled by the publicly-owned IRI-Finmeccanica, as rationalisation gradually takes place.

Industry observers expect that Agusta will at some point absorb Breda Nadi, the other, smaller Italian helicopter manufacturer.

Agusta's SIAI-Marchetti light aircraft subsidiary, meanwhile, has announced that it will take part in the development programme of the C-22 light trainer being built by the privately-owned Caproni.

State to sell Montedison stake

BY JAMES BUXTON IN ROME

ITALY'S TWO big state holding companies, ENI and IRI, have been formally authorised to sell their combined 16.6 per cent holding in Montedison, Italy's biggest chemical producer.

The stake has given the State a majority in the syndicate of control, which groups the major shareholders in the company, but it is now to be sold to a consortium of private Italian industrial interests.

However, Sig Gianni de Michelis, the Minister for State Shareholdings, has said only that the two concerns should seek to agree on a "suitable" price for the sale of their stake. This is understood to have been a sticking point in the negotiations so far, though a price of L250 per share has been mentioned as the likely figure. At this price the acquisition and calls for new capital would cost about L140m ($124m).

Montedison shares stood at L274 before the news of the sale to private interests was announced early in May. Yesterday they stood at L226.6 ($0.19), having suffered the effects of the announcement of a rights issue which will nearly treble the company's capital.

The sale of the State-held stake in Montedison will make the company totally private and accompanied by the exchange of various plants and product lines with ENI, the outcome should be a more rational and efficient structure both for the loss-making company and for the Italian chemical industry as a whole.

The State stake in Montedison is to be bought by a corsortium consisting of Fidis, the holding company of the Fiat group, and investment companies of the Bonomi, Pirelli and the Orlando families, as well as Mediobanca, the merchant bank which masterminded the operation.

Olivetti may move typewriters from Spain

By Robert Graham in Madrid

OLIVETTI is seeking to remove its portable typewriter production from Spain as a result of unacceptably high labour overheads.

Hispano Olivetti, Olivetti's 84 per cent owned Spanish subsidiary said that it had not yet been decided where the operation would be relocated, but it could be in either Latin America, the Far East or Eastern Europe.

The move by Olivetti underlines an important shift in Spain's relationships with foreign investors. Foreign companies traditionally came to Spain to avoid local tariff barriers and to take advantage of low cost labour.

The latter is no longer true and if Spain joins the EEC the tariff barriers will have to be lowered.

The Barcelona based plant currently produces 500,000 portable typewriters a year which is some 40 per cent less than full production would allow. Traditionally this plant, established in 1929, has been used to supply the domestic market and as a major exporter to Western Europe. More than two-thirds of portable typewriter production is exported.

Olivetti plans to cut 1,541 jobs, equivalent to 35 per cent of the workforce, and leave only a small residual production capacity to satisfy the domestic market. Suggestions that the operation will be moved to Mexico, where Olivetti already has portable typewriter production geared to the North American market, have been denied.

However, the company is willing to point out that portable typewriter production costs in Mexico are 43 per cent less than in Spain. The company sees no future in Spain as labour overheads rise.

Olivetti has pumped more than $50m into its Spanish unit over the past five years, with the emphasis on new technology and boosting production. It is now proposing to base its Barcelona production round mini-computers.

Advance for Norwegian shipowner

OSLO—Norwegian shipowner, Wilh. Wilhelmsen, has reported a 1980 net income before year-end adjustments of NKr 354m or almost three times the NKr 119.3m earned in 1979.

In its consolidated annual report WW said operating income after ordinary depreciation and net financial items reached NKr 124.3m in 1980, a NKr 151.8m turnround from the NKr 27.5m operating loss of 1979.

Gross operating income before ordinary depreciation and financial items increased from NKr 304.7m to NKr 426.6m. In 1980 capital gains from the sale of vessels amounted to NKr 229.7m

AP-DJ

United Breweries boosts half-year sales by 20%

BY OUR FINANCIAL STAFF

UNITED BREWERIES, the Danish brewer whose best known brands are Carlsberg and Tuborg, reports a rise of 20 per cent in sales for the six months ended March, 1981.

Net profits show an improvement and for 1980-81 as a whole earnings should be at least maintained, the company says in an interim report. Last year after tax profits totalled DKr 176m ($23.6m).

UB says the increase in turnover comes mainly from recently acquired companies outside the drinks industry as well as from the continued growth of Carlsberg and Tuborg brands outside Denmark.

Beer sales in Denmark have not contributed very much to the increase in turnover. UB's market share has increased a little, but total beer consumption in Denmark has fallen.

As for profits improved results are mainly shown by Fredericia Bryggeri which last year had to cope with substantial start-up expenditures, as well as the Carlsberg companies in the UK and Holmegaards Glasvaerker.

Last year sales totalled DKr 6.4bn compared with DKr 6.1bn, and net profits were DKr 13m higher. The company paid an unchanged dividend of 12 per cent.

Strong sugar market helps CSR profit to rise 45%

BY OUR SYDNEY CORRESPONDENT

BUOYANT CONDITIONS in the international sugar market helped CSR, the Australian sugar and minerals group to boost earnings by 44.9 per cent from A$77.3m to A$112.1m (U.S.$127m) in the year to March. Sugar provided more than half of group profit.

The result was the first to include a full year contribution from Thiess Holdings which was acquired by CSR in late 1979 for A$440m. But last year's "housing tax" strikes in the central Queensland mines hindered the coal group.

The final dividend is maintained at 9 cents a share, for an unchanged total of 18 cents on capital increased by last year's one-for-five rights issue. Taking the rights issue into account, the payout has been effectively increased by 9 per cent. The dividend is easily covered by earnings, up from 36.4 cents to 43 cents a share.

Profits have grown by an average of more than 30 per cent in the past three years from A$43m.

Despite the glamour that has surrounded CSR as an energy stock, the results show that sugar still plays the dominant role. Profit in the division rose by almost 90 per cent to A$58.3m.

Sugar milling profits more than doubled with raw sugar output up by 10 per cent to 845,500 tonnes, and an average price some 35 per cent higher than in 1979-80.

CSR expects market supplies to stay substantially in balance for most of the year, but says the market is now being affected by high world interest rates and sluggish economic conditions.

Crushing for the 1981 season begins this month and, despite recent flood and wind damage to crops, CSR expects to produce an extra 7.5 per cent of sugar this year.

The building materials division also showed strong growth with earnings up from A$16.3m to A$22.1m.

The group's minerals and chemical sector has been split up into energy, aluminium and chemicals, and minerals.

The energy division, which covers CSR's extensive coal operations, contributed A$15.5m to profit. The wholly owned Western Collieries managed a 30 per cent profit lift, but earnings from Buchanan Borehole Collieries, in which CSR has recently lifted its stake from 93 per cent to 100 per cent, were halved because coking coal prices were unchanged despite steep rises in costs.

The aluminium and chemicals division contributed A$10.1m and the minerals division A$6.1m.

The group benefited from a 15 per cent reduction in its borrowing costs to A$23.2m in 1980-81 in the wake of last year's A$100m convertible note issue.

Interest received soared from A$19m to A$44.9m mainly because of higher returns from the short-term money market.

The result was achieved on a 34.9 per cent increase in group revenue to A$1.82bn and a 31.2 per cent advance in gross revenue (including third party sales) to A$2.93bn.

Profits were struck after tax of A$71.9m against A$46.8m and minority interests of A$13.8m compared with A$14.6m, but did not include A$15.3m of extraordinary profits against A$18.8m in 1979-80.

Margins hit at Japanese banks

BY RICHARD C. HANSON IN TOKYO

JAPAN'S 13 City banks nearly all suffered falls in profits in the half year ended March 31, compared with the preceding half year, as a result of squeezed margins between deposit and lending rates.

Revenues for the six months were an average of 8.1 per cent higher (with Mitsui Bank showing the largest rise at 14.4 per cent). But the increase came mainly from a rise in lending volume following an easing of monetary policy during the period by the Bank of Japan.

Part of the advance in revenues resulted from a rise in foreign currency deposits, the rates for which were liberalised last December under a new foreign exchange law, at a time when interest rates abroad were set to rise. Mitsui Bank was one of the most active in this field, but for most banks the volume remains comparatively small.

Seven of the 13 banks reported that payouts on deposits were higher than income from lending. Bankers contend that the decline in profitability at major banks has become a long-term trend and, within the banking community, calls for the Government to liberalise interest rates, and take other relief measures, are being heard with increasing frequency.

Profits for the 13 banks in the period showed a 10.9 per cent decline, and net profits dropped by 35 per cent. Net profit includes current profits less profits from securities operations, which improved because of a recovery in bond prices.

Mitsui Bank had an increase in current profit of 57.8 per cent to Y18.1bn ($81m), but the others showed falls. Profits at **Dai-Ichi Kangyo** were off 3.1 per cent to Y23.9bn, on a revenue rise of 6.7 per cent to Y786.3bn. **Fuji Bank** suffered a decline in profits of 2.7 per cent to Y34.1bn, while revenues rose 9 per cent to Y672.2bn.

Sumitomo Bank lifted revenues by 9.6 per cent, but current profit fell by 33.1 per cent to Y29.3bn. **Mitsubishi Bank** saw current profit decline by 13.1 per cent, while revenues rose 12 per cent. Sanwa had a 22.4 per cent drop in profit, on revenues ahead by 5.4 per cent.

Tokai Bank, based in Nagoya, suffered the sharpest drop in profit, of 45.5 per cent. Revenues rose by 6.6 per cent.

Earnings fall at Wearne

By Georgie Lee in Singapore

EARNINGS AT Wearne Brothers the major motor trader in Singapore and Malaysia, continued to decline in the half-year to March with group pre-tax profit falling by 34 per cent to S$5.69m (U.S.$2.6m). Group turnover was 19 per cent lower at S$136.6m (U.S.$63m).

The group has declared an unchanged interim dividend of 4 per cent.

Improvement in results at Sasebo Heavy Industries

TOKYO—Sasebo Heavy Industries lifted net profits to Y4.39bn ($19m) for the year ended March 31, compared with Y2.45bn in the previous year. Sales at the medium-sized shipbuilder rose by 57.1 per cent to Y63.79bn ($285m). Earnings per share were Y25.51 against a loss of Y14.55 in 1979-80 but again there is no dividend.

The company predicts a 109.6 per cent jump in net profit in the current year, on a 44.2 per cent rise in sales. But there are still no plans for a dividend.

Much of the profit improvement is attributed to lower shipbuilding costs, including raw materials, and to an overall expansion in the company's workload.

AP-DJ

VONTOBEL EUROBOND INDICES
14.5.76=100%

PRICE INDEX	26.5.81	2.6.81	AVERAGE YIELD	26.5.81	2.6.81
DM Bonds	87.36	86.63	DM Bonds	10.363	10.515
HFL Bonds & Notes	91.11	90.85	HFL Bonds & Notes	11.104	11.137
U.S. $ Strt. Bonds	82.17	82.98	U.S. $ Strt. Bonds	13.751	13.541
Can. Dollar Bonds	83.38	83.36	Can. Dollar Bonds	13.776	13.794

New group in record Israeli bid for Sonol

By David Lennon in Tel Aviv

THE LARGEST private-sector company takeover in the history of Israel has been completed with Granite Investment Company, a newly formed Israeli investment concern buying Sonol, the third largest fuel distributor in the country from its American owners, the Belco Petroleum Corporation of New York.

Granite has acquired the Sonol Oil Company and its affiliate, Supergas for U.S.$44m. Sonol controls 25 per cent of the local market for the distribution of fuels and petroleum products.

Belco is engaged in oil exploration around the world. It was owned by a Jewish family, the Belfers, who decided to sell Sonol because they want to quit marketing and to concentrate on exploration.

Last year's consolidated sales of Sonol totalled $531m. The company has 115 petrol stations, all operated by dealers. Sonol employs 350 people.

Supergas is a gas distribution company which was owned 50-50 by Sonol and Belco. It has 200 employees, engaged mainly in servicing cutomers for home cooking gas, and a few industrial clients.

Granite was formed last December and Sonol is its first purchase. Another big deal is believed to be in the works. The investment company is made up of eight partners. Half of the equity is held by its chairman, Mr. Sam Neman, who was born in Israel but has lived in the U.S. for many years. The other seven partners are Israeli companies, most of which have activities related to energy fields.

There are no plans to change the operations of Sonol. The purchasers say they plan to utilise it as a base to develop and market alternative forms of energy, while the company is to continue to market liquid fuel.

The finance of the purchase is being raised roughly half and half in Israel and abroad. Neither Sonol nor Granite are quoted on the Israeli or foreign stock exchanges.

The seven Israeli partners include Mr. S. Dankner of Carmel-dor Petrochemicals, which manufactures methanol, and Mr. Yehoshua Leibowitz, of the HBS Real Estate Company and HLS Industrial Engineering Company which manufactures ethanol. These two partners signed the agreement with Belco in London.

The other partners are Mr. Zeharia Drucker believed to be the laregst private builder in Israel who is involved in solar energy and space conditioning; Mr. Uli Ofer who is involved in shipping; the Landau Zeevi and Sohar Group who are involved in mining in Africa; Mr. David Kolitz of Elul Technologies, which is jointly owned by Koor the largest industrial complex in Israel: and Mr. Joseph Vardi, a former director general of the Energy Ministry, whose International Technologies Company is developing sophisticated energy technologies and is currently involved with Elul in developing new methods of shipping coal.

Tata Finlay passes its dividend

By P. C. Mahanti in Calcutta

TATA FINLAY, one of India's leading tea companies, has passed its dividend because of a severe erosion of its profit margins in 1980. The company paid a dividend of 15 per cent in respect of 1979.

Sales rose in 1980 to Rs 731m ($87m) from Rs 705m in 1979, but the pre-tax profit fell to Rs 71.4m ($8.5m) from Rs 94.1m.

The net profit dropped to Rs 5.4m, from the previous year's Rs 15m.

The company says that higher operational costs resulting from the cost-push inflation which was affecting the Indian economy as a whole were responsible for the squeeze on its profit margins.

Rupert Hambro joins Anglo American

Mr Rupert Hambro, executive director of Hambros Bank with responsibility for its international activities, has been appointed a director of ANGLO AMERICAN CORPORATION OF SOUTH AFRICA.

★

Mr Ronald Taylor, chairman of WILLIS FABER, retires at the end of this year and he will be succeeded by **Mr David Palmer**. **Mr Richard Bowes** will be appointed a deputy chairman of that company and of Willis Faber and Dumas at the beginning of next month.

★

BP CHEMICALS has appointed **Dr John H. Routley** as general manager, engineering and technical department at the company's London head office. Dr Routley, who is works general manager at BP Chemicals Hull factory, will be succeeded by **Mr J. A. Barlow**, works manager at the factory. Both appointments are from August 1.

★

Mr James P. McDermott has been appointed senior vice-president in charge of BANK OF AMERICA'S central Europe area office in Frankfurt, West Germany. He has been vice-president and manager of the bank's branch in Athens, Greece, for the past three years. Mr McDermott succeeds **Mr Heinz Wascheck**, who resigned to take up a position with a German bank.

★

BARROW HEPBURN states that **Mr Stephen Heaton** has resigned from the Board following the contraction of the leather interests and the redirection of the group. He has decided to relinquish his executive appointment and directorships with the group to develop his own interests.

★

Mr. John A. Black has been elected president of the BIRMINGHAM CHAMBER OF INDUSTRY AND COMMERCE. **Mr. R. G. C. Messervy** and **Mr. R. W. Fordham** are vice presidents, and **Mr. N. R. Gillott** honorary treasurer.

★

Mr. Mark Holker has been appointed to the newly-created position of marketing director on the board of CSA (C & S ANTENNAS), *Strood*.

★

Mr. John Pollard has been appointed a non-executive director and consultant to the board of BOWEY GROUP, Gosforth. He recently retired from the main board of Marley.

★

Mr. Ken Thorpe has become managing director of the transmission division of BORG-WARNER in place of **Mr. Peter Whybrow**, who has been appointed director of sales and marketing. Mr. Thorpe was previously with the Harley Davidson Golf Car Division.

★

Mr. Brian Leverton, diesel division director, Rolls-Royce Motors, has been elected to the power industries board of the INSTITUTION OF MECHANICAL ENGINEERS.

★

Mr. John Newman has been appointed director and **Mr. Brian Lawson**, deputy director, of the COCOA CHOCOLATE AND CONFECTIONERY ALLIANCE and the CAKE AND BISCUIT ALLIANCE.

★

Mr. John Hall, media director of CHARLES BARKER CBC, has been appointed vice chairman of the company. **Mr. Jeffery Marks** has joined the media department.

★

Mr. John Harman has been appointed director of GUILD TRAINING, a division of Guild Sound and Vision.

★

Mr. Nigel C. Groundwater has been appointed director of public affairs of ESSO PETROLEUM in succession to **Mr. R. E. Cooper** who has retired. **Mr. David L. Johnson** has become Press officer.

★

CANADA LIFE has appointed **Mr. C. B. Russell** as assistant general manager, actuary in succession to **Mr. D. A. Loney** on his transfer to the home office in Toronto.

★

Mr R. J. Wilkinson has been appointed a director of KIRKLAND-WHITTAKER.

★

Mr Leslie Davies, deputy managing director (operations) of the 600 Group, and **Mr Ray Thompson**, chairman and managing director of Richard Lloyd, have joined the board of F. PRATT ENGINEERING CORPORATION as non-executive directors.

★

Mr John Cox has been appointed vice-chairman of TARMAC INTERNATIONAL, the overseas construction division of the Tarmac group. He continues as managing director of Tarmac National Construction.

★

Mr Christopher Morgan, who has been a partner at Deloitte Haskins & Sells London office since 1973, is being seconded to the INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES for three years as technical director and director of accounting standards. He takes up the post on July 1.

OVERSEAS

Mr William P. Benton has been appointed vice-president, marketing, for U.S. FORD MOTOR COMPANY. He has been vice-president, sales, for Ford of Europe Inc since November 1977.

★

Mr. John Coombs has been appointed regional general manager for the Far East and Australasia for NATIONAL WESTMINSTER BANK, based in Singapore. Since 1972 until recently he was resident in Tokyo with responsibility for the development of NatWest's Japanese business on a global basis. **Mr. Jack Miller** has become chief manager of the Bank's Singapore branch. He was a manger in the energy and natural resources section in international banking division, based in London. He succeeds **Mr. John Holden**, who is retiring.

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Companies and Markets

CURRENCIES, MONEY and GOLD

Sterling weak

Sterling suffered heavily in currency markets yesterday, falling to its lowest level against the dollar for over two years and losing ground in terms of European currencies. Rumours that the British National Oil Corporation may be forced to follow a cut in the price of oil made by Mexico prompted considerable switching out of sterling and the Bank of England was probably active in the market in an attempt to iron out any sharp distortions in rates. This was not seen as direct support for sterling, for while the pound was allowed to rise on the strength of North Sea Oil, it seems likely that the authorities will allow it to fall in view of the present comparitive oil surplus.

The dollar was slightly weaker against most currencies other than sterling, in mostly quiet trading. Euro-dollar rates showed an easier tendency but the U.S. unit retained a basically strong undertone.

European currencies improved against sterling and the dollar but showed little change within the European Monetary System. The D-mark was again the most improved currency followed by the Italian lira. The French franc and Dutch guilder tied for third place. The Irish punt lost a little ground but was still placed above the weakest currency, the Belgian franc.

Sterling—trade weighted index (Bank of England) fell to 96.9 from 98.1, its lowest level since August last year, having stood at 97.0 at noon and 97.8 in the morning. Sterling opened against the dollar at $2.0340-2.0360, which was to be its best level of the day. By noon it had fallen to $2.0160 and touched a low of $2.0110 soon after. It was probably around this level that the Bank of England intervened and the pound recovered to $2.0175. Business thinned out during the afternoon and it closed at $2.0170-2.0180, a fall of 2.05c and its lowest closing level since February 1979. Against European currencies sterling was also sharply weaker, falling to DM 4.7650 against the D-mark from DM 4.8325 and FFr 11.2550 in terms of the French franc from FFr 11.41 on Tuesday.

DOLLAR—trade weighted index (Bank of England) remained at 107.9. The dollar was mostly weaker against European currencies compared with Tuesday's closing levels but finished around the middle of the day's range. It closed at DM 2.3600 against the Deutsche Mark after a low of DM 2.3560 and Tuesday's close of DM 2.3710. Against the Swiss franc it fell to SwFr 2.0910 from SwFr 2.1010 and was lower in French franc terms at FFr 5.5800 against FFr 5.5900.

DEUTSCHE MARK—Strongest member of the European Monetary System but very weak against the dollar, partly because the sharp fall of the French franc had tended to pull down other EMS currencies. Renewed fears about Poland have also tended to depress the German unit but the present rise in U.S. interest rates remains the major market factor—The dollar eased slightly at the fixing in Frankfurt yesterday to DM 2.3615 from DM 2.3636 and the Bundesbank sold a nominal $21m. Sterling was lower at DM 4.7520 compared with DM 4.8220 while the French franc improved to DM 42.2 per FFr 100 from DM 42.04. The dollar's undertone remained firm, based on high U.S. interest rates.

BELGIAN FRANC—Weakest member of the EMS once again now that the French franc has shown signs of stabilising. However the Belgian currency remains within its divergence limit against the ECU and above its floor level against the Deutsche Mark and this has allowed the authorities to reduce interest rates in recent weeks—The Belgian franc was firmer at yesterday's fixing in Brussels.

THE POUND SPOT AND FORWARD

June 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.0110-2.0360	2.0170-2.0180	0.85-0.95c dis	−5.35	2.60-2.70dis	−5.25
Canada	2.4250-2.4500	2.4320-2.4330	1.40-1.50c dis	−7.15	3.90-4.00dis	−6.49
Nethlnd.	5.27-5.35	5.29½-5.30½	⅛c pm-⅛ dis	−0.28	¼ pm-¼ dis	0.19
Belgium	77.40-78.50	77.70-77.80	30-40c dis	−5.40	85-95 dis	−4.63
Denmark	14.95-15.10	15.00-15.01	3-4¼ore dis	−2.90	9⅞-11¼ dis	−2.82
Ireland	1.2960-1.3130	1.2995-1.3005	0.32-0.43p dis	−3.46	0.98-1.18dis	−3.32
W. Ger.	4.74-4.82	4.76-4.77	par-½pf dis	−0.63	⅜-⅝ dis	−0.52
Portugal	125.00-126.50	125.45-125.65	50-120c dis	−8.12	125-300 dis	−6.77
Spain	188.00-190.00	188.60-188.90	130-160c dis	−9.22	340-395 dis	−7.68
Italy	2,360-2,385	2,367½-2,369½	16½-18½ lire dis	−8.87	52½-55½ dis	−9.12
Norway	11.69-11.82	11.72-11.73	⅜-2¼ore dis	−1.41	1⅞-3⅞ dis	−0.96
France	11.22-11.38	11.25-11.26	16½-17½c dis	−18.12	37-39 dis	−13.50
Sweden	10.07-10.17	10.10-10.11	2¾-3½ore dis	−3.64	8¼-8¾ dis	−3.41
Japan	448-458	450½-451½	2.00-1.70y pm	4.92	5.70-5.30 pm	4.83
Austria	33.50-34.00	33.65-33.70	4gro pm-1 dis	0.53	4 pm-5 dis	−0.05
Switz.	4.20-4.26	4.21½-4.22½	1½-½c pm	2.84	3¼-2¼ pm	2.61

Belgian rate is for convertible francs. Financial franc 79.25-79.35. Six-month forward dollar 4.20-4.30c dis, 12-month 6.60-6.80c dis.

THE DOLLAR SPOT AND FORWARD

June 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.0110-2.0360	2.0170-2.0180	0.85-0.95c dis	−5.35	2.60-2.70dis	−5.25
Ireland†	1.5500-1.5575	1.5525-1.5545	0.18-0.28c dis	−1.78	0.67-0.85dis	−1.96
Canada	1.2063-1.2076	1.2071-1.2074	0.13-0.16c dis	−1.44	0.24-0.27dis	−0.84
Nethlnd.	2.6215-2.6280	2.6230-2.6260	1.25-1.15c pm	5.48	3.82-3.72 pm	5.74
Belgium	38.47-38.55	38.52-38.54	5-2½c pm	1.17	15-11 pm	1.35
Denmark	7.4285-7.4425	7.4300-7.4325	1½-1¼ore pm	2.22	5-4½ pm	2.56
W. Ger.	2.3580-2.3700	2.3595-2.3605	0.94-0.89pf pm	4.65	2.78-2.72 pm	4.66
Portugal	62.10-62.40	62.10-62.30	par-30c dis	−2.89	20pm-60dis	−1.29
Spain	93.40-93.65	93.45-93.50	20-35c dis	−3.53	45-65 dis	−2.35
Italy	1,172-1,174½	1,173½-1,174½	4-5 lire dis	−4.60	13-15 dis	−4.77
Norway	5.8080-5.8205	5.8165-5.8185	2.15-1.65ore pm	3.92	6.95-6.45 pm	4.61
France	5.5750-5.6075	5.5775-5.5825	6-7c dis	−13.98	12-13½ dis	−9.14
Sweden	4.9980-5.0140	5.0075-5.0100	0.95-0.75ore pm	2.04	2.75-2.55 pm	2.12
Japan	223.00-224.25	223.45-223.55	2.00-1.85y pm	10.33	5.75-5.60 pm	10.15
Austria	16.67-16.72	16.68-16.69	8.90-7.40gro pm	5.86	24-21 pm	5.39
Switz.	2.0830-2.0960	2.0905-2.0915	1.49-1.39c pm	8.26	4.07-3.97 pm	7.69

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

June 3	Bank of England Index	Morgan Guaranty Changes%
Sterling	96.9	−28.1
U.S. dollar	107.9	+1.8
Canadian dollar	87.1	−17.8
Austrian schilling	111.6	+21.5
Belgian franc	105.8	+9.1
Danish kroner	85.7	−12.1
Deutsche mark	116.8	+37.9
Swiss franc	135.4	+77.5
Guilder	108.4	+15.8
French franc	83.5	−11.1
Lira	57.6	−55.7
Yen	143.0	+57.3

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 2	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	0.569885	0.527982
U.S. $	14	1.16296	1.07497
Canadian $	18.68	1.40416	1.29835
Austria Sch	6¾	Unavail	17.9628
Belgium F	13	44.9019	41.5154
Danish K	11	8.63672	8.01552
D mark	7½	2.74877	2.54639
Guilder	9	3.05684	2.82825
French Fr	9½	6.54339	6.04549
Lira	19	1365.61	1263.63
Yen	6¼	258.759	241.170
Norwgn. Kr.	9	6.73703	6.24831
Spanish Pts.	8	108.718	100.531
Swedish Kr.	12	5.81715	5.38507
Swiss Fr	5	2.43268	2.25346
Greek Dr'ch.	20½	—	61.9667

OTHER CURRENCIES

June 3	£	$		£ Note Rates
Argentina Peso	8581-8601	4259-4269	Austria	33.65-34.00
Australia Dollar	1.7680-1.7720	0.8785-0.8790	Belgium	78.80-79.80
Brazil Cruzeiro	172.82-173.82	85.80-86.23	Denmark	15.00-15.15
Finland Markka	8.876-8.898	4.4100-4.4120	France	11.25-11.35
Greek Drachma	115.947-118.890	57.50-57.60	Germany	4.75-4.79
Hong Kong Dollar	11.02¼-11.04¼	5.4760-5.4790	Italy	2330-2365
Iran Rial	161.45*	79.20*	Japan	453-459
Kuwait Dinar (KD)	0.563-0.569	0.2793-0.2795	Netherlands	5.27-5.30
Luxembourg Frc.	77.70-77.80	38.52-38.54	Norway	11.68-11.80
Malaysia Dollar	4.73-4.74	2.3500-2.3550	Portugal	125-136
New Zealand Dlr	2.3240-2.3290	1.1545-1.1555	Spain	182-194
Saudi Arab. Riyal	6.84-6.90	3.3910-3.3930	Sweden	10.10-10.20
Singapore Dollar	4.33-4.34	2.1530-2.1550	Switzerland	4.19-4.24
Sth African Rand	1.7290-1.7310	0.8570-0.8580	United States	2.01½-2.02½
U.A.E. Dirham	7.41-7.47	3.6715-3.6735	Yugoslavia	73-81

Rate given for Argentina is free rate. * Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7985	41.4165	+1.52	+1.38	±1.5361
Danish Krone	7.91917	7.99947	+1.01	+0.87	±1.6413
German D-Mark	2.54502	2.54088	−0.16	−0.30	±1.1388
French Franc	5.99526	6.02060	+0.42	+0.28	±1.3638
Dutch Guilder	2.81318	2.82511	+0.42	+0.28	±1.5159
Irish Punt	0.685145	0.692599	+1.09	+0.95	±1.6688
Italian Lira	1262.92	1263.71	+0.06	+0.06	±4.1116

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

June 3	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.018	4.765	451.0	11.255	4.220	5.300	2369.	2.435	77.75
U.S. Dollar	0.496	1.	2.362	223.5	5.579	2.092	2.627	1174.	1.206	38.54
Deutschemark	0.210	0.423	1.	94.65	2.362	0.886	1.112	497.1	0.510	16.32
Japanese Yen 1,000	2.217	4.475	10.57	1000.	24.96	9.357	11.75	5252.	5.394	172.4
French Franc 10	0.888	1.793	4.234	400.7	10.	3.749	4.709	2104.	2.161	69.08
Swiss Franc	0.237	0.478	1.129	106.9	2.667	1.	1.256	561.3	0.576	18.42
Dutch Guilder	0.189	0.381	0.899	85.09	2.124	0.796	1.	446.9	0.459	14.67
Italian Lira 1,000	0.422	0.852	2.012	190.4	4.752	1.782	2.238	1000.	1.027	32.83
Canadian Dollar	0.411	0.829	1.959	185.4	4.627	1.735	2.179	973.7	1.	31.96
Belgian Franc 100	1.286	2.595	6.129	580.1	14.48	5.428	6.817	3046.	3.129	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 3)

3 months U.S. dollars		6 months U.S. dollars	
bid 17 5/8	offer 17 3/4	bid 16 15/16	offer 17 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

June 3	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	10½-11	18½-18¾	20-21	11½-11¾	8-8½	11¾-12	22-24	18-20	15-17	5¾-6¼
7 days' notice	11½-11¾	18½-18¾	20-21	11⅝-11⅞	7-7½	12-12¼	24-26	[illegible]	15-17	6¾-7
Month	12⅛-12⅜	17¼-17½	19⅛-19½	11⅞-12⅛	9⅛-9⅜	12⅝-12⅞	27-29	20⅝-21⅜	16¼-16¾	7⅛-7⅜
Three months	12⅛-12⅜	17⅛-17¼	19-19⅜	12⅛-12⅜	9⅞-10⅛	12⅞-13⅛	24-26	21-22	16¼-16¾	[illegible]
Six months	12⅝-12¾	16⅞-17⅛	17⅞-18¼	12⅛-12¼	10⅛-10¼	13-13⅛	21½-23	21-22	16¼-16¾	7⅝-7⅞
One Year	12¾-12⅞	16⅛-16⅝	16¾-17⅛	12-12⅛	9⅞-9⅞	13-13⅛	19½-20½	21-22	15½-16¼	8⅛-8⅜

SDR linked deposits: one-month 15⅛-15⅞ per cent; three months 15⅛-15⅞ per cent; six months 14⅞-15⅛ per cent; one-year 14⅛-14⅞ per cent.
ECU linked deposits: one-month 15⅛-15⅞ per cent; three months 15⅞-15⅞ per cent; six months 15⅛-15⅞ per cent; one-year 14⅛-15⅛ per cent.
Asian $ (closing rates in Singapore): one-month 17⅛-17⅞ per cent; three months 17⅛-17⅞ per cent; six months 17-17½ per cent; one-year 16⅞-16⅞ per cent. Long-term Eurodollar two years 15⅞-16⅛ per cent; three years 15⅞-16⅛ per cent; four years 15⅞-16⅛ per cent; five years 15⅞-16⅛ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.
The following nominal rates were quoted for London dollar certificates of deposit: one-month 18.10-18.20 per cent; three months 17.80-17.90 per cent; six months 16.75-16.85 per cent; one-year 16.00-16.30 per cent.

INTERNATIONAL MONEY MARKET

German rates firm

Call money remained tight in the Frankfurt money market yesterday, but eased slightly below the 12 per cent special Lombard rate from 12.00-12.10 per cent on Tuesday. Funds returned to the market from maturing Treasury bills and currency swaps, but the increased liquidity was balanced by repayment of loans made under the special Lombard facility this week. Around DM 7.6bn was borrowed on Tuesday and DM 7.4bn on Monday.

One-month money rose to 12.95-13.05 per cent from 12.80-12.90 per cent, and three-month to 13.25-13.35 per cent from 13.20-13.30 per cent. Six-month was quoted at 13.30-13.40 against 13.30-13.35 per cent, and 12-month at 13.20-13.40 per cent compared with 13.25-13.35 per cent.

In Amsterdam the Dutch central bank is to add liquidity to the money market by way of a 14-day special discount facility at a rate of 11½ per cent from the beginning of June. The facility will Fl 2.854bn per day to the market. Call money eased to 11¼-11½ per cent from 11⅞-12 per cent yesterday, but period rates showed a firmer trend. One-month was 11⅞-12 per cent, compared with 11¾-12 per cent, while three-month rose to 11⅞-12⅛ per cent from 11¾-12 per cent. Six-month was 12-12¼ per cent, against 11⅞-12⅛ per cent, and 12-month rose to 12-12¼ per cent from 11⅞-12 per cent.

In Paris the Bank of France said it will auction FFr 3½bn of six-month Treasury bills tomorrow. Call money remained at 20 per cent.

GOLD

Quiet trading

Gold fell just $2½ an ounce in the London bullion market yesterday to $472½-475½, in very quiet trading. The metal opened at $473-476 and was fixed during the morning at $474.00 and $475.5 in the afternoon. Business was dull for much of the day with little in the way of fresh news to affect trading.

In Paris the 12½ kilo bar was fixed at FFr 96,750 per kilo ($537.46 per ounce) compared with FFr 97,000 ($538.75) in the morning and FFr 98,995 ($547.87) on Tuesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 36,090 per kilo ($475.03 per ounce) against DM 35,810 ($472.03) previously and closed at $474-477 compared with $472-475 per ounce on Tuesday.

In Zurich gold finished at $474-477 from $473-476.

	June 3		June 2	
Gold Bullion (fine ounce)				
Close	$472½-475½	(£234½-236)	$475-478	(£231½-235)
Opening	$473-476	(£233-234½)	$474-477	(£232¼-233¾)
Morning fixing	$474	(£234.190)	$473.50	(£231.937)
Afternoon fixing	$475.50	(£235.746)	$474	(£232.729)
Gold Coins				
Krugerrand	$488½-489½	(£242¼-242¾)	$491-492	(£240-240½)
1/2 Krugerrand	$251¾-252¾	(£124¾-125¼)	$253-254	(£123¾-124¼)
1/4 Krugerrand	$128½-129½	(£63¾-64¼)	$129-130	(£63-63½)
1/10 Krugerrand	$52½-53½	(£26-26½)	$52½-53½	(£25¾-26¼)
Mapleleaf	$480-482	(£238-239)	$482-484	(£235¾-236¾)
New Sovereigns	$119-119¾	(£59-59½)	$119¼-120	(£58¼-58¾)
King Sovereigns	$126-128	(£62½-63½)	$125-127	(£61¼-62¼)
Victoria Sovs.	$126-128	(£62½-63½)	$125-127	(£61¼-62¼)
French 20s	$122-128	(£60½-63½)	$121-127	(£59¼-62)
50 pesos Mexico	$586-593	(£290½-294)	$584-591	(£286½-289)
100 Cor. Austria	$455-461	(£225¾-228¾)	$453-459	(£221½-224½)
$20 Eagles	$578-582	(£286¾-288¾)	$576-581	(£281½-284¾)

UK MONEY MARKET

Full supply

Bank of England Minimum Lending Rate 12 per cent (from March 10 1981)

Short-term interest rates showed a slightly easier trend in the London money market yesterday, with discount houses buying rate for three-month eligible bank bills falling to 11 31/32 per cent from 11¾ per cent.

Day-to-day money was in abundant supply and the authorities intervened to absorb surplus funds by selling a large amount of Treasury bills to the houses and banks.

Government disbursements were moderately in excess of revenue payments to the Exchequer, and bank balances were slightly above target.

Discount houses paid around 10 per cent for secured call loans at the start, with closing balances taken at 8-9 per cent, although some funds were picked up at 6 per cent.

MONEY RATES

NEW YORK

Prime Rate	20-20½
Fed. Fund	19½-19¾
Treasury Bills (13-week)	15.63
Treasury Bills (26-week)	14.54

GERMANY

Special Lombard	12.0
Overnight Rate	11.95
One month	13.00
Three months	13.30
Six months	13.35

FRANCE

Intervention Rate	22
Overnight Rate	20
One month	—
Three months	—
Six months	—

JAPAN

Discount Rate	6.25
Call (Unconditional)	7.125
Bill Discount (three-month)	7.46875

LONDON MONEY RATES

June 3 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ф	Eligible Bank Bills ф	Fine Trade Bills ф
Overnight	—	7-11⅝	11	—	—	9-11½	6-11	—	—	—
2 days notice	—	—	11⅝-11⅞	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11⅜-11⅝	11¾-12	—	11⅞	11¾-12	10¾-11¼	—	—	—
One month	12 1/16-11 15/16	12-12⅛	11⅞-12	13⅛-12⅞	12 1/16	12⅛	11½	11 15/16	11 19/32-11⅝	12 1/16
Two months	12¼-12⅛	12⅛-12⅜	—	13¼-12⅞	12 5/16	12½	11⅝	11 31/32	11 31/32	12½
Three months	12 7/16-12 5/16	12⅜-12½	12¼-12½	13¼-12⅞	12 7/16	12¾	11¾	11½	11 31/32	12½
Six months	12 9/16-12½	12 9/16-12 7/16	12⅜-12⅝	12⅝-12¼	12 9/16	12⅞	—	—	11¾	12¼
Nine months	12⅝-12 9/16	12⅝-12¾	—	13⅜-13⅛	13	13	—	—	—	—
One year	12¾-12⅝	12 11/16-12⅞	12⅞-13	13⅛-12⅞	13⅛	13⅛	—	—	—	—
Two years	—	—	13⅝	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13⅞ per cent; four years 14 per cent; five years 14⅛ per cent. ф Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 11¾ per cent; four months trade bills 12½ per cent.
Approximate selling rate for one-month Treasury bills 11 7/16 per cent; two months 11 15/32 per cent; three months 11 7/16 per cent. Approximate selling rate for one-month bank bills 11 25/32-11 9/16 per cent; two months 11⅝-11 25/32 per cent; three months 11 23/32 per cent; one-month trade bills 12 3/16 per cent; two months 12⅛ per cent and three months 12¼ per cent.
Finance Houses Base Rates (published by the Finance Houses Association) 12½ per cent from June 1 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 11.4452 per cent.

CONTRACTS AND TENDERS

Fresh early Wall St. decline

STOCKS ON Wall Street were inclined to lose further ground in active early trading yesterday amid continuing investor uncertainty over the future direction of interest rates.

The Dow Jones Industrial Average, which retreated 10.5 on Tuesday, was 3.99 easier at 983.49 at 1 pm yesterday. The NYSE All Common Index lost 49 cents at $75.40, while declines outpaced gains by a two-to-one ratio. Turnover increased to 41.03m shares from the 38.83m recorded at 1 pm on Tuesday.

Oil stocks led the early decline as Mexico cut its crude oil prices by $4 per barrel and Sohio reduced Alaskan oil prices $2.

Sedco lost 1¾ to $27½. Reading and Bates 1½ to $30½. Freeport-McMoran $1 to $33½. Getty 1¼ to $60, Superior Oil $3¼ to $180¾. GEO International 1¼ to $39¾ and Schlumberger $1 to $94½, Sohio dipped ⅜ to $43 and BP, owner of 53 per cent of Sohio, shed ⅞ to $30.

Rail stocks were also weak. Missouri Pacific fell $2 to $77½, Chicago Milwaukee 1⅞ to $53½, Santa Fe Industries ⅞ to $25½ and Burlington Northern 1⅞ to $55¼.

THE AMERICAN SE Market Value Index, however, recovered 0.61 to 364.01 at 1 pm on volume of 5.39m shares (4.68m), but declines led advances on the Exchange by 296 to 178.

Crystal Oil lost 1⅛ to $25⅞, Universal Resources 1½ to $23¾ and Kirby Exploration $1 to $26, but Welded Tube of America advanced 1⅞ to $18, Mitchell Energy $2 to $26¾ and Dorchester Gas 2¼ to $21.

Canada

Markets were mixed at noon following fairly active dealings. The Toronto Composite Index edged up 1.2 to 2,346.3 at mid-day, but eight of the 14 major indices were lower. Golds declined 78.8 to 4,227.3 and the Real Estate index 165.7 to 8,679.6, but Oil and Gas rallied 14.5 to 4,783.7. In Montreal, Banks advanced 3.83 to 387.44.

Most active Dome Petroleum was up ¼ at C$21⅜, but active Gulf Canada shed ¼ to C$26⅝. Hudson's Bay Oil rose 1¼ to C$34⅜.

Closing prices for North America were not available for this edition.

Tokyo

With many investors further discouraged by the overnight decline on Wall Street and the yen's weakness against the U.S. dollar, shares were inclined to relinquish more ground in fairly active dealings.

The Nikkei-Dow Jones Average, after receding 85.46 on Tuesday, ended 23.91 lower at 7,480.58. The Tokyo SE index declined 2.67 to 557.31, while falls exceeded rises on the First Market section by 351 to 236. Volume was a reasonable 450m shares, but fell well short of the previous day's 720m.

Light Electricals sustained sharp setbacks after recent buoyancy, Sony retreating Y160 to Y5,500, Pioneer Y170 to Y3,830, Victor Japan Y100 to Y3,400, Matsushita Electric Y50 to Y1,730 and Nippon Electric Y17 to Y810.

Among the usually popular large-capital issues, Toshiba lost Y21 to Y406, Hitachi Y8 to Y700, Sumitomo Metal Y9 to Y276, Nippon Steel Y6 to Y211, Hitachi Shipbuilding Y6 to Y223 and Mitsubishi Heavy Y4 to Y293.

Motors were mixed, Honda adding Y40 at Y1,180 and Toyo Kogyo Y32 at Y418, but Nissan shedding Y7 to Y845.

Nippon Oil weakened Y23 more to Y863, but Arabian Oil recovered Y20 to Y2,100 and Teikoku Oil Y10 to Y671. Takeda Pharmaceutical, down Y32 on Tuesday, regained Y5 to Y782, but Yamanouchi fell Y60 to Y1,140.

Germany

A provisional 0.9 per cent rise in April industrial production figures, after a 3.6 per cent March fall, helped Industrials to move higher and the trend was reflected in most market sectors. The Commerzbank index rose 2.1 more to 708.2, making a three-day improvement of 12.1.

Among Engineerings, Linde advanced DM 4 to DM 314, GHH DM 6.50 to DM 212.50 and KHD DM 3.50 to DM 188.50.

Paris

The recent fresh market slide was halted yesterday, with prices closing on a mixed note, due to substantial support buying by institutional investors. The Indicateur de Tendance index, after suffering a two-day fall of 4.5, picked up 0.5 to 81.2.

Market observers, however, said investors remain extremely apprehensive in view of the strong possibility of the Left-wing parties winning a substantial majority in the legislative elections, to be held later this month.

Foods, Constructions, Stores, Electrical and Metals were generaly favoured, but some weak spots were seen among Engineerings and Oils.

In the Metals sector, Creusot-Loire was suspended with a limit rise, later trading at FFr 41.2, up FFr 3.2.

Paribas rallied FFr 5.3 to FFr 175.5 in Banks, but Oils issue Elf Aquitaine fell FFr 69 to FFr 606.

Australia

Still generally lacking overseas support, Oils displayed an easier tendency, while the Minings sector again showed no clear trend.

However, firm international sugar prices and expectations of good profit figures from CSR pushed the Sugar sector further ahead.

CSR rose 16 cents to A$6.76 for a two-day advance of 30 cents ahead of the after hours' release of its annual results, which showed a rise in net profit to a record A$112.1m from A$77.3m.

Pioneer Sugar added 9 cents at A$2.15, Bundaberg Sugar 10 cents at A$2.90 and Howard Smith 8 cents at A$7.10.

Magellan Oil lost 10 cents to A$9.50, Woodside 4 cents to A$2.28 and Basin 5 cents to A$2.15. Vamgas opened at A$13.20 and later fell to A$13.00, but recovered to close at A$13.50 for a rise of 30 cents on the day.

The Rundle Oil Shale twins had another bad day. Southern Pacific lost 5 cents to 75 cents, after opening at 70 cents, while Central Pacific dipped 20 cents to A$1.80.

Ashton Mining was steady at A$2.05 and CRA put on only 3 cents to A$4.55, following Ashton's release of a quarterly report on the Ashton joint venture describing the Argyle AKI pipe as a diamond resource of world significance.

Hong Kong

Profit-taking caused most leaders to retreat yesterday after the market's recent strong performance, but some secondary issues advanced against the trend.

The Hang Seng index, which had climbed 107 points over the past three trading days, receded 19.24 to 1,711.87. Trading remained active, with turnover on the four exchanges in Wednesday's half-day session amounting to HK$519.94m, against Tuesday's full-day total of HK$790.0m.

Cheung Kong lost 50 cents to HK$31.00, HK Land 30 cents to HK$11.90, Swire Pacific "A" 30 cents to HK$19.90 and Hutchison Whampoa 40 cents to HK$20.00.

Outside the leaders, Hopewell shed 10 cents to HK$18.60 and Swire Properties 50 cents to HK$14.30, but Anderson Asia rose 30 cents to HK$6.60, Carrian Investments 65 cents to HK$9.50 and OTB 5 cents to HK$6.15.

Johannesburg

With the Bullion price holding fairly steady, Gold shares closed with narrow mixed movements after another thin trade.

Mining Financials generally eased, with Anglos slipping 10 cents to R16.35, its sharply higher annual profits having already been discounted.

Indices

NEW YORK — DOW JONES

	June 2	June 1	May 29	May 28	May 27	May 26	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
●Industr'ls	987.48	987.96	991.75	984.25	985.14	983.86	1024.05 (27/4)	931.57 (13/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	59.99	60.31	60.06	59.68	59.47	59.70	66.78 (7/5)	58.57 (7/5)	—	—
Transport.	420.63	430.92	435.79	437.97	436.81	428.51	447.38 (16/4)	379.18 (20/2)	447.38 (16/4/81)	12.25 (8/7/32)
Utilities	106.22	107.55	107.67	107.56	107.68	107.55	117.81 (6/1)	103.99 (5/5)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000's	53,930	62,170	51,860	58,500	58,750	42,760	—	—	—	—

●Day's high 1003.15 low 984.70

Ind. div. yield %	May 29	May 22	May 15	Yearago (approx)
	5.61	5.77	5.81	6.19

STANDARD AND POORS

	June 2	June 1	May 29	May 28	May 27	May 26	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	147.31	149.31	149.50	150.61	151.16	150.04	157.02 (6/1)	143.75 (2/2)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	130.62	132.41	132.59	133.45	133.77	132.77	138.12 (6/1)	126.58 (20/2)	140.52 (28/11/80)	4.40 (1/6/32)

	May 27	May 20	May 13	Year ago (approx)
Ind. div. yield %	4.62	4.67	4.70	5.30
Ind. P/E Ratio	9.37	10.81	9.91	7.77
Long Gov. Bond Yield	13.01	13.22	13.72	10.15

N.Y.S.E. ALL COMMON

June 2	June 1	May 29	May 28	1981 High	1981 Low
75.89	76.91	76.99	77.44	79.14 (6/1)	72.45 (20/2)

Rises and Falls	June 2	June 1	May 29
Issues Traded	1,937	1,943	1,937
Rises	465	893	770
Falls	1,151	718	800
Unchanged	321	332	367
New Highs	68	173	126
New Lows	58	38	27

MONTREAL

	June 2	June 1	May 29	May 28	1981 High	1981 Low
Industrials	398.72	402.19	406.17	407.95	409.58 (27/5)	358.26 (20/2)
Combined	368.92	370.49	373.10	374.77	376.18 (27/5)	339.64 (20/2)
TORONTO Composite	2345.1	2362.1	2371.2	2376.3	2378.8 (10/4)	2151.4 (20/2)

	June 3	June 2	June 1	May 29	1981 High	1981 Low
AUSTRALIA						
All Ord. (1/1/80)	716.7	716.4	714.6	715.5	737.5 (6/4)	641.1 (17/2)
Metal & Minrls. (1/1/80)	524.8	524.5	526.4	525.8	735.2 (7/1)	564.9 (5/5)
AUSTRIA						
Credit Aktien (2/1/62)	60.08	60.45	60.18	60.54	66.45 (5/1)	60.19 (3/6)
BELGIUM						
Belgian SE (31/12/63)	72.49	73.56	73.87	(c)	86.15 (17/2)	72.49 (3/6)
DENMARK						
Copenhagen SE (1/1/73)	109.88	110.89	111.38	111.87	112.5 (26/5)	95.88 (2/1)
FRANCE						
CAC General (29/12/61)	79.9	(u)	(u)	86.3	112.5 (17/3)	79.8 (3/6)
Ind Tendance (31/12/80)	81.2	80.7	82.2	85.2	106.8 (13/3)	80.7 (2/6)
GERMANY						
FAZ-Aktien (31/12/58)	268.79	229.42	228.83	226.72	234.8 (24/4)	216.88 (9/2)
Commerzbank (Dec. 1953)	708.2	706.1	702.1	696.10	727.7 (27/4)	666.4 (16/2)
HOLLAND						
ANP-CBS General (1970)	91.4	91.8	91.4	92.0	95.8 (18/5)	85.7 (2/1)
ANP-CBS Indust. (1970)	71.5	71.6	71.5	71.8	72.9 (28/4)	62.8 (2/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1711.87	1731.11	1718.01	1667.54	1731.11 (2/6)	1295.44 (11/3)
ITALY						
Banca Comm Ital (1972)	292.05	287.50	281.32	286.65	292.05 (3/6)	173.56 (6/1)
JAPAN						
Dow Average (16/5/49)	7480.58	7504.49	7589.95	7539.69	7674.19 (30/4)	6966.62 (13/3)
Tokyo New SE (4/1/68)	557.31	559.98	563.31	559.07	563.3 (1/6)	496.79 (5/1)
NORWAY						
Oslo SE (1/1/72)	110.34	111.31	114.43	114.46	127.37 (4/5)	110.34 (3/6)
SINGAPORE						
Straits Times (1966)	890.49	890.72	890.71	878.06	918.24 (15/5)	669.61 (2/1)
SOUTH AFRICA						
Gold (1958)	(u)	621.5	(c)	627.2	787.6 (7/1)	561.3 (3/3)
Industrial (1958)	(u)	628.3	(c)	636.1	655.5 (1/6)	537.2 (3/2)
SPAIN						
Madrid SE (30/12/80)	122.76	121.58	(c)	119.86	122.70 (3/6)	100.48 (2/1)
SWEDEN						
Jacobson & P. (1/1/58)	(u)	567.28	561.87	528.20	567.28 (2/6)	404.17 (20/1)
SWITZERLAND						
SwissBankCpn. (31/12/58)	286.4	285.9	282.3	280.8	304.2 (2/4)	279.8 (27/5)
WORLD						
Capital Intl. (1/1/70)	—	154.0	156.0	155.5	162.8 (6/1)	149.6 (17/2)

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Kennecott	1,094,500	61½	+1½
IBM	747,600	59⅞	−⅛
Atl. Richfield	707,600	41¼	−1½
Intl. Min	598,800	40¼	−2⅞
Sears Roebuck	540,800	19	—
Exxon	518,100	65	−⅛
LTV	471,200	24½	−⅛
Dresser Inds.	460,000	41⅛	−1⅛
Storage Tech.	446,100	32	−1⅛
Am. Tel. & Tel.	430,900	56⅛	−⅜

FINANCIAL TIMES SURVEY

Thursday June 4 1981

Italian Engineering

Reforms to improve the performance of the big companies are beginning to show results, while the remarkable and continuing success of many small ones makes a big contribution to the balance of payments. The endemic problem is high costs caused by inflation, which has begun to price Italy out of export markets.

Hopeful signs amid the crisis

By James Buxton

THE MILAN Stock Exchange fell sharply when Italy's government resigned suddenly last week. Ironically, the Forlani administration for all its difficulty in agreeing and implementing a coherent economic strategy, had just begun taking major decisions to deal with the long-unattended structural problems of Italian industry.

But the Stock Exchange soon made up most of what it had lost. That may reflect a new-found maturity in a market that has grown in breadth during the past 12 months of consistent rises, but it may also be due to the mood of guarded optimism detectable in some parts of Italian industry.

Its roots include the fact that Italy's big private companies are now tackling their own problems after the demoralisation and setbacks of the 1970s, and that trade union power, if not in retreat, has at *least been checked.*

That, paradoxically, is despite recession (even though industrial production in the first quarter of 1981 was fractionally up on that of the previous three months) and indications that Italy's industry is suffering badly, in some fields, from lost competitiveness.

Price competitiveness has long been crucial to large-scale Italian industry because, despite some important exceptions, it has been less strong than, say, West Germany in advanced technical innovation. For three years after 1976 Italy managed to increase its share of the world market for manufactured goods from 5.9 per cent in 1973 to 7.1 per cent in 1979. However, in 1980 Italy's exports of manufactured goods declined in real terms by 8 per cent, the result not only of world recession but also of the fact that high costs were pricing Italy out of markets.

The main reason is the inflationary nature of Italy's economy: high Government borrowing and the fact that *every cost increase, including* those of imported oil and those due to the rise of the dollar—is translated into higher wages through the "*scala mobile*" indexation system. Labour costs were increased by tight restrictions on mobility in the large companies and the virtual impossibility of sacking people.

In the absence of firm Government action to cut its spending and curb inflation, the Bank of Italy was obliged in March to devalue the Lira. But though the Lira was given a further 6 per cent band in *which to decline within the* European Monetary System, the movements of other currencies, notably the D-mark and the Franc, have prevented the Lira taking advantage of the new range and the net devaluation of the Italian currency against the other currencies in the EMS is only 1 per cent since March.

Burdened

So far, therefore, devaluation has done almost nothing to *make* Italian industry more competitive in European markets, while companies are burdened with very high interest rates due to the credit squeeze that accompanied it. The only relief is that inflation is showing signs of dropping below 20 per cent.

One compensation, however, is that the strong rise of the dollar against the Lira has given a tremendous competitive advantage in most markets outside Europe to both the Italian construction and plant engineering industries, which continue to win large orders abroad. There are also important sections of Italian industry that are probably less concerned about the Lira's failure to adjust to the country's inflation rate than about the weakness of home and foreign markets owing to recession.

One of the great strengths of Italian industry is the extraordinary dynamism of small companies, which have not been trapped in the past into maintaining large unproductive labour forces but instead have *labour flexibility, exceptionally* agile managements and remarkable inventiveness.

A good example is the machine tools sector which, even though now going through a difficult time, has expanded dramatically in the last few years, making Italy the world's fourth-biggest exporter of machine tools.

The small companies in Italian industry, though they rarely make headlines, make a big contribution to the balance of payments and arguably hold the greatest hope that industry in general can triumph over the structural problems of the economy. This success may also help Italy's entry into the industries of the future—into advanced electronics, for example, where great progress by some concerns, Olivetti being the obvious example, has been offset by uncertainty in much of the rest of the sector due to government sloth in decision-making.

What is encouraging, however, is that the very big companies which were successful during the country's "economic miracle" of the 1960s are now breaking out of the shackles that crippled them in the 1970s. They used to be bewildered and *mesmerised*, unable to tackle declining labour productivity, higher wage costs and losses which became mountains of debt because of the difficulty of raising new capital.

It is difficult to disagree with the claim of Sig Carlo de Benedetti, who took over the running of Olivetti in 1978, that the subsequent recovery of Olivetti showed the way out: demonstrating that it was possible to shed workers and raise productivity and to attract new capital in order to reduce indebtedness. Now Olivetti's financial performance is constantly improving.

ITALY'S TRADE BALANCE
(Lira bn)

	1977	1978	1979	1980
Food products	−3,935.5	−4,568.0	−4,912.5	−5,862.8
Combustible minerals and derivatives	−8,008.9	−8,019.3	−10,627.1	−18,568.9
Textiles products and clothing	+4,551.8	+6,044.1	+7,372.8	+7,278.3
Metallurgical products	−563.7	+48.2	−1,356.4	−2,311.2
Mechanical products	+5,092.8	+5,832.4	+6,427.3	+6,721.9
Of which machinery	+3,825.3	+4,379.8	+4,766.8	n.a.
Transport equipment	+1,861.3	+1,903.7	+1,929.9	−282.2
Chemical products	−716.7	−1,281.9	−2,300.8	−2,589.2
Other products	−742.6	−321.8	−1,204.1	−3,044.5
Total	−2,461.5	−362.6	−4,670.9	−18,659.5

Source: Istat

Pirelli's Italian operating company made a very small but nevertheless significant profit in 1980—the first for ten years.

The company has been forced by the difficulty of reducing the labour force to be more innovative and efficient within its main field in Italy, tyres.

Fiat illustrates another point. It has finally tackled its besetting problems of low productivity and an excessive labour force. Last autumn's strike over the company's plans for laying off large numbers of workers collapsed after 40,000 workers marched in favour of a return to work.

Substantial labour force cuts have been achieved, and the unions have demonstrated here and in other companies that they understand that ultimately—despite lavish protection—their jobs are in danger if productivity does not improve.

Union leaders accept that the *Scala Mobile* must be modified to arrest inflation given the right political conditions. But the union leadership is tightly *bound by its rank and file, who* have enjoyed the gains of the past and may not accept the need for retreat. There is also the danger that should the *Scala Mobile* be modified, unions would press harder for higher wage rises in their annual negotiations.

There is a third factor, though how it survives the events of the next few weeks remains to be seen. The last government showed impressive determination to tackle some of the outstanding problems of industry. The main company that stood to benefit most from this was Montedison, the chemical giant which for years had been *weakened by political interference*, debt and weak management.

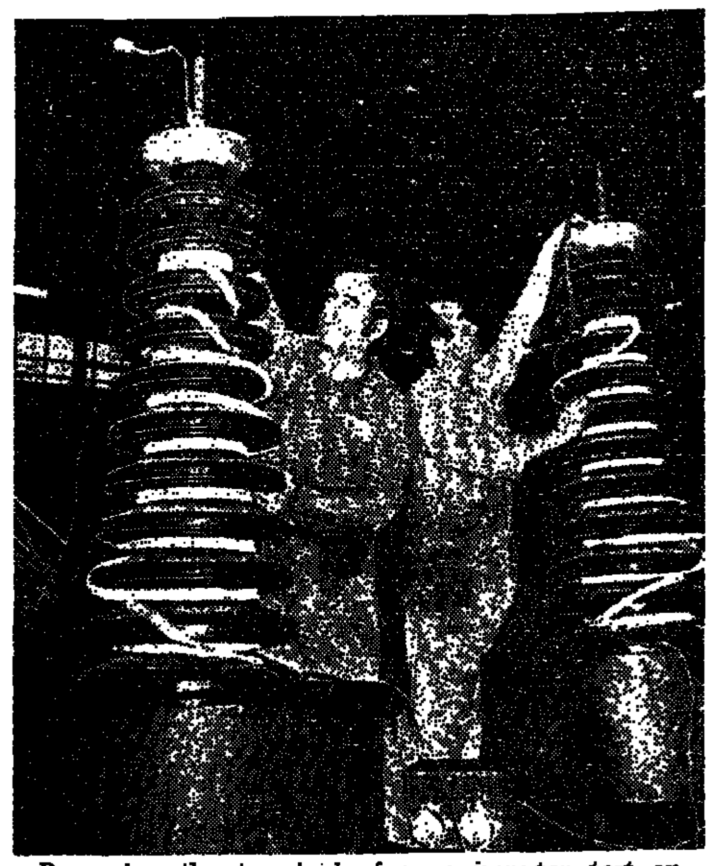
Early in May the government made clear that it would sell its controlling stake in it to the private sector, and was pushing through an agreement between Montedison and ENI, the state energy concern, by which the two groups would exchange different lines of chemical production to rationalise the output of each of them, and close down some plants in the process.

Together with the agreement under which some of ENI's *chemical plants will be put into* a joint company with the U.S. concern Occidental, the rationalisation of the Italian chemical industry appeared to be at hand and Sig Gianni de Michelis, Minister of State Shareholdings, also has plans for making other parts of the state sector private.

Italy's state sector includes some well-managed and successful concerns, but the great accumulated deficits of many companies are major reasons for reform. However, the tortuous decision-making processes of Italian governments, the laborious workings of parliament, and the interruptions caused when administrations *fall, deprive the state of executive power.*

The classic example is the hiatus in building large new power stations—only one has been started since 1975. Even if new stations go ahead soon, Italy's skill will be at a disadvantage in terms of energy costs in comparison with France and West Germany in the 1980s. Sig Filippo Maria Pandolfi, Sig Forlani's Industry Ministry was trying vigorously to achieve a breakthrough on power station building before the Government resigned.

CONTENTS



Preparing the terminals for an imputer test on fluid oil impregnated cables in the high voltage cable testing laboratory at Pirelli's Bicocca plant

Lira aids huge success in winning foreign contracts

CIVIL ENGINEERING

JAMES BUXTON

ITALIAN CIVIL engineering contractors won at least L3,000bn ($2.6bn) worth of overseas contracts last year and the country's successful plant engineering industry — which supplies and erects process plant—is having a spectacular run in winning orders.

For nearly a year the weakness of the Italian lira against the dollar has given Italian contractors a big advantage in tendering for overseas contracts usually *denominated either in* dollars or in dollar-related currencies.

Even so, the great construction boom in the Opec States, which began after 1974, has levelled out and in some countries faded away, while in civil engineering Italy is facing increasing competition not just from Asian competitors like South Korea and India, but also from Brazil. Italy is however well placed to compete if the *role of the industrial countries* in overseas construction shifts towards plant engineering.

New civil engineering orders for Italy last year were about the same in money terms as they were in 1977 and 1979. This means that in real terms Italy is doing considerably less well than it was then.

Spectacular

The portfolio of Italy's current overseas civil engineering contracts is impressive. The most striking feature is the enormous number of dams and hydroelectric schemes for which Italian contractors are responsible. This is a skill generated by schemes in the Alps and first spectacularly displayed at the Kariba Dam between the then British colonies of Northern and Southern Rhodesia.

Currently Italy is building, preparing to build, or has recently completed dams and hydro-electric works in countries as diverse as Ghana, Kenya, Tanzania, Malawi, Morocco, Zaire, Tunisia, Argentina, Uruguay, Ecuador, Colombia, El Salvador, Peru, Venezuela, Turkey, Pakistan, Iraq and New Zealand.

More recently an important recurring theme has been work on underground railways, with current contracts for the extension of the New York subway, and underground railways in Venezuela and Australia.

An analysis of civil engineering orders won in 1980 showed that only 8 per cent by value were in industrial countries. Some 60 per cent were in Opec countries, led by Libya, and followed by Saudi Arabia and Nigeria. Europe accounted for less than 1 per cent of new orders. But while Italian contractors are strong in almost the whole African continent and in the Middle East, they are generally weak in the Far East (despite a presence in Australia and New Zealand). Some 35 per cent of all new contracts in 1980 were won in North and South America.

*Many of the companies carry*ing out overseas contracts are members of State-owned groups, like Condotte D'Acqua, part of the IRI group, which has hung on to a contract for port construction at Bandar Abbas, despite the Iranian revolution. There are big private sector groups like Sogene, strong in Saudi Arabia as well as at home, Impresit, owned by Fiat, active in Nigeria, and other smaller agile groups like Recchi, responsible for fine roads and a bridge across the White Nile in Sudan.

The appeal of the Italian construction contractor abroad is *due to price competitiveness*—usually assisted as now by a weak currency—the traditional engineering skills which the Italian people inherited from the Romans, and Italian industriousness on site, which is frequently remarked on by the clients.

Italy is helped in the Third World by being almost entirely free of colonial associations, unlike Britain and France. Third World countries, which make up the bulk of Italy's overseas markets, recognise something of themselves in the Southern European Italians, which they do not find in Northern Europeans. Italians have a reputation for migrating willingly to foreign construction sites in response to demand, and not panicking when their payments fail to come through regularly—a hazard they are well used to in their home country.

Even so Italian contractors lost about L800bn of contract work in Iran after the 1979 revolution even though Italy has probably salvaged more from Iran than other Western countries. It is a measure of the gambling nature of much of the Italian construction industry that this work was not insured by the official insurance agency, SAGE.

An attempt by the contractors to obtain insurance cover retrospectively inevitably failed. The losses in Iran were a salutary shock to the industry similar to that suffered in 1970 after Col. Muammar Gaddafy's takeover in Libya, where Italian contractors' bonds were called without justification. Italian contractors depend heavily on overseas work because, as in the rest of Europe, their domestic market is weak. The construction of new residential accommodation in Italy fell by 5.2 per cent in real terms in 1980 — though this was a less steep fall than occurred in 1979 —while new public works contracts turned down sharply in the second half of 1980. The Italian construction industry employs about 1.45m people.


Oil refinery designed and built by Snamprogetti at Warri, Nigeria, for the Nigerian National Petroleum Corporation

Risks

Apart from grumbling at the weakness of the domestic market the Italian construction industry argues that the official insurance against political and other risks is less extensive in Italy than in other Western countries and that insurance procedures are more bureaucratic.

The industry believes that its traditional strengths will help it stave off some of the competition.

The SACE is a relatively new institution but it provides cover against the cancellation of orders, the unfair calling of bonds, the destruction of equipment on site and failure of progress payments to come through —all up to certain percentages of the overall value. The proportion of the agreed percentage covered is now 90 per cent, which SACE claims brings it in line with similar agencies.

Its current ceiling on the coverage of short-term risks is a rolling one of L5,000bn which SACE wants raised to L65,000bn by Parliament consent, while there is a ceiling of L6,500bn on medium-term risks. In practice coverage of short-term risks is limited by the reluctance of Italian businessmen to insure what they consider good risks, thus depriving SACE of the income it needs to pay out claims on bad risks. But the coverage of medium-term risks is considered as good as that provided by other countries.

The Italian construction industry believes that its traditional strengths will help it stave off some of the competition in newly-industrialising countries — though growing Brazilian expertise in dams is a threat. Part of the solution lies in going into joint ventures with the new contracting concerns in projects where they have the advantage in terms of cheaper manpower. The other answer is to move into higher technology.

Here Italy already has an impressive position, emphasised in the first three months of this year by winning contracts valued at L2,100bn, as against the civil engineering industry's L600bn. The contracts included one for Snamprogetti worth L800bn to construct seven urea plants in India, Italimpianti's L100bn contract for blast furnace work in Portugal, and Technimont's contract for L80bn for a polypropylene plant in Nigeria.

The first two concerns are state-owned (Snamprogetti is part of the ENI energy group, Italimpianti belongs to IRI, the state industrial holding company), while Technimont is part of the partially-state Montedison Chemical Group.

Seven of the top 10 Italian plant engineering concerns are state-owned, and all of them made profits, some of them big ones. Even though the state sector in general has a debt-ridden, often arthritic image, within it lie enclaves of technical excellence and successful management, and in Italy the state sector is so extensive that concerns profitably draw on each other's expertise.

So significant is the state sector in plant engineering that Sig Gianni de Michelis, the Minister for State Shareholdings, has urged the creation of a single new plant engineering holding company owned by the state combining the relevant subsidiaries of ENI, IRI and the third state holding company EFIM. For the moment the idea appears to have been overtaken by other priorities, and some of the individual companies the plan would affect have reacted without enthusiasm.

Sales drop as recession bites

MACHINE TOOLS

RUPERT CORNWELL

THE PERFORMANCE of the Italian machine tool industry over the past two or three years has been an extreme example of what has happened to the national economy as a whole. During the boom years of 1979 and 1980, when GDP increased by a combined 9 per cent in real terms, the machine tool sector enjoyed an extraordinary prosperity.

Now the wheel has turned full circle. As the Italian economy moves into its long-expected, and long-delayed, recessionary phase the machine tool manufacturers are experiencing a particularly painful contraction. Both home and export markets are in trouble at the same time, and the current estimates for the first quarter suggest, in some cases, declines in sales of up to 25 per cent. But first the encouraging part.

In defiance of all the gloomy predictions at the start of 1980, last year proved to be another strong one for the industry. *The 4 per cent growth,* moreover, was underpinned by an astonishing jump of 10 per cent in real fixed investments by companies. Machine tools, as a prime category of capital goods, were a major beneficiary. According to Ucimu, the national manufacturers' association, total 1980 sales by the myriad companies operating in the sector rose 13 per cent in real terms, and by almost 32 per cent in money terms, to L1,480bn ($1.3bn). The total is split roughly equally between exports and deliveries to the home market.

The improvement from an already successful 1979 reflects in part the absence of the metalworkers' strikes which plagued much of the previous year. It stems predominantly from an extraordinary buoyancy of both internal and external demand—despite all the problems machine tool manufacturers shared with every other sector of Italian industry: soaring costs at home and diminishing competitivity abroad. Despite this, sales and orders rose steadily through the year to reach, according to Ucimu, "stupendous levels" in the final quarter.

Home sales climbed the *faster, by nearly 18 per cent in* real terms to L754bn, while exports jumped by "only" 8.5 per cent by volume to L726bn. This progress in turn has led to a growth in the total workforce of the industry (excluding subcontractors and suppliers) to 37,200 from 36,500 two years before. As in 1979, Italy ranks fourth among the world's exporters of machine tools, behind West Germany (by far the biggest with total foreign sales of $2.9bn), Japan and Switzerland. However, Italy's share of the world market rose faster than anyones, to 7.6 per cent *from 7.1 per cent.*

The improvement abroad was matched by a consolidation of the Italian manufacturers' position on their domestic market. According to Ucimu, imports captured 28.8 per cent of the Italian market, against over 30 per cent in 1977—and in real terms well below the massive foreign penetration achieved earlier in the decade. The achievement is all the more notable when it is considered that not only were price differentials working against the Italians in 1980, but the very boom in business led to order backlogs and delivery *delays,* which in turn should have made conditions easier for rival importers.

As it happened the latter did manage to lift their deliveries of lathes, drilling machines and non - conventional cutting machines by extremely large *percentages. But the balance of* trade in the sector rose to some L420bn ($368m) from L360bn in 1979 in Italy's favour, making machine tools a particularly important item in the country's otherwise deficit - ridden accounts.

DEVELOPMENT OF MACHINE TOOL MARKET
(L bn)

Percentage increase 1980/1979 at constant prices		1980	1979
Deliveries	13.0	1.480	1.125
Exports	8.5	726	575
Deliveries on domestic market	17.8	754	550
Imports	23.3	305.2	212.6
Consumption	19.3	1.059.2	762.5

Source: Ucimu Economic Department and Istat.

The growth overall in exports masks some interesting changes *in direction. Partly as a result* of the Polish troubles, and the general economic difficulties of the Soviet bloc, shipments to Eastern Europe have dropped as a proportion of the total. Instead, the Italians have managed to lift deliveries considerably to the particularly competitive *markets of Northern* Europe—a development which gives the industry considerable satisfaction. France and West Germany were the biggest single outlets. Mitigating that pleasure, however, is the familiar worry over the Japanese threat, which casts a shadow over Italian *prospects* not only in Third World markets, but also within the EEC.

In a sense, the success of the machine tool industry in Italy is symbolic of most of what is right about the national economy. It is concentrated above all in the industrial north of the country, and its fragmented structure, a cluster of small- and medium-sized industries, typifies that of the most dynamic areas of the Italian productive system. The companies tend to be highly specialised and often with a surprisingly sophisticated export organisation. This is backed by a very professional system of overseas fairs. The arrangement offers the chance to meet the exact requirements of a client—sometimes to the extent of a one-off—with extraordinary precision. It is a symbol of the maturity of the industry that the appeal of Italian machine tools is today less their price competitiveness than their quality and reliability.

The decentralised and fragmented organisation of the industry is in direct contrast with the trend towards ever bigger groupings abroad—and has attracted the attention of foreign research institutes, anxious to discover so unusual a recipe for success. Germany's manufacturers' association is but one of those which have come to find out how the Italians do it.

The real test will come this year. Italy's own investment boom has come to an end. If there still remains much scope for "structural" modernisation, and hence spending on new equipment, leanings in that direction are likely to be dampened by the prohibitive cost of borrowing (currently 23 per cent plus) to finance such investment. All this is happening against the background of an economy which will manage zero growth at best in 1981. Indeed the high level of interest rates and the sluggish state of key foreign markets make it probable that Italy's GDP will contract in real terms this year.

As Ucimu itself notes in the *conclusion to its report on 1980,* it is unlikely that a growth in exports will once again balance a decline in domestic demand. The industry, it warns, "in 1981 and perhaps in 1982 as well is facing exactly the opposite of what happened in the two years of 1979 and 1980."

Huge effort to re-organise for 1980s

ELECTRONICS

RUPERT CORNWELL

ITALY IS currently engaged in a massive effort to re-organise its electronics industry, lifting it up from a position of comparative under-development to one from which it is equipped to make a real challenge for the markets and opportunities of the 1980s. It is a battle being waged on many fronts—computers, telecommunications, office equipment and the humbler "brown goods" like television sets. In the process, several of the old Italian sacred cows of separation between private and public sector are being slaughtered, while foreign alliances, present or envisaged, proliferate.

Moreover, what happens will provide an acid test of whether the Government, whose role will be crucial if efforts are to be crowned with success, can play the role that its counterparts in other West European countries are already doing. It is not only a question of state aid but also of public purchasing policy, above all in the fields of *telecommunications and computers*.

Some progress is being made. For two years a law has been in existence providing a total of over L500m of government backing for the electronics sector. More money could be forthcoming under plans being studied to channel extra resources into high-technology sectors, in which electronics figures strongly. However, state aid in Italy, given the complexities of the country and the inefficiencies of the bureaucracy, has a habit of being more theoretical than real. Inevitably the companies will have to make much of the running themselves.

Bewildering

Nothing could be more instructive than developments at Olivetti which, with sales of almost L2,200bn in 1980, is Italy's largest electronics concern, and Europe's biggest office equipment manufacturer. Sig. Carlo de Benedetti, with a bewildering series of deals since he took over as chief executive three years ago, has transformed Olivetti from a sleepy, over-indebted company into a new force in Italy and abroad. The latest deal on the office equipment front has been the acquisition of the Swiss typewriters manufacturer Hermes (the latter's shareholders permitting). This will strengthen the group in electronic typewriters and business computer peripherals.

Another aspect of its business—banking systems, cash registers and point-of sale terminals—has been boosted by deals (again among the latest of many) to acquire a major stake in both Data Terminal Systems (DTS) and Docutel of the U.S.

Arguably the most significant was the agreement in January 1980 with Hitachi of Japan, which saw Olivetti back in the mainframe computer field for the first time in 16 years. The marketing deal means that the Ivrea-based concern will be able to offer a complete range of computers, from its own desk-top mini-computers to very large "number crunchers." The arrangement also provides for the equipment to be IBM-compatible, thus laying the groundwork for what might form a powerful bloc, not only to challenge IBM but also other European manufacturers.

It is a sobering fact—and an indication of the dependence on abroad of Italy in the electronics sector—that the U.S. colossus' Italian offshoot IBM Italia is probably the most profitable company in the country: with net earnings last year of L178bn ($156m) on sales of L1,493bn ($1.3bn), and investments of L333bn.

A bigger bombshell than even the Hitachi link was Olivetti's announcement three month's later of a far reaching tie-up with St Gobain of France. The latter has since built up an equity stake of 30 per cent in Olivetti. For the Italian company the object is access to the strong French market for tele-*communications and* office equipment, although the strategic implications of the deal are probably not yet fully apparent.

Telecommunications is the next area in which Olivetti aims to expand—but here its ambitions will be heavily conditioned by what the Government decides. The sector is largely state-controlled—primarily through concerns like Italtel (formerly SIT-Siemens), Selenia and SGS-ATES, the semi-conductor manufacturer, which are all three subsidiaries of IRI, the public sector conglomerate.

Gradually the first steps are being taken towards a genuinely Italian entrant in the race for the huge telecommunications markets of tomorrow. Italtel has just signed a co-operation agreement with Telettra, Fiat's transmission and fibre optics offshoot. Olivetti might do the same with SGS-ATES. At stake is the possibility of a grouping based around the all-electronic exchange, Proteo, developed at great cost by Italtel, that would compete for the $16bn-plus modernisation of the Italian phone network.

Solution

However, the technological challenge is such that a foreign partner almost certainly will be brought in: in some combination or other, Ericsson (which has already an Italian subsidiary, Fatme), ITT (which controls Face) or the other leading American company GTE. Whatever solution emerges, it will have to square the circle between the multi-nationals, all of them competing fiercely for new international markets, and the fact that the Italian companies have neither a domestic market large enough to achieve the necessary economies of scale, nor technology modern enough to guarantee them large international outlets.

Obviously, too, the Government's own procurement programmes, through its public telephone utility SIP, will be all-important. SIP itself has suffered acute financial difficulties in recent years, but these were alleviated by the Government's authorisation of a package of financial measures in March. Its $9bn investment programme between 1981 and 1983 can now go ahead. In any case, whatever happens, trail-blazing innovations in the links between public and private industry in Italy seem certain.

In other sectors, too, things are changing. On the software side, IRI is encouraging the development of its Italsiel subsidiary, which lifted sales to over L100bn ($90m) last year, and is prominent in the computerisation of government departments—thus far national health and inland revenue.

Further down the ladder, a major reorganisation of the "brown goods" sector has taken place with the agreement of Indesit, the troubled electrical appliance manufacturer, and Voxson and Emerson to join forces in the field. It is a venture whose omens are perhaps not favourable: Zanussi, the country's largest household appliance manufacturer, lost money in 1980 on its electronics activities, thanks to the "wide gap between supply and demand" on the market, as it wrote in its recent annual report.

The new triumvirate is hoping for Government backing, probably through GEPI, the inter-ministerial agency for helping out companies in trouble, in the name of the higher goal of resisting the ever-growing Japanese encroachment on the Italian market. That threat indeed encapsulates the philosophy underlying changes in progress in the entire national electronics sector. Italy faces a choice between fighting back as vigorously as possible, or of succumbing to its currently more advanced foreign rivals.

Companies in deep trouble

DOMESTIC APPLIANCES

JAMES BUXTON

HOME ELECTRICAL products is one sector of Italian industry to which the hackneyed and devalued word crisis can genuinely be applied. The fundamental trouble for the industry, which makes washing machines, refridgerators and freezers—white goods, in the trade jargon—is less the recession than profound changes in the market.

This is particularly serious because of the dominant position held by the Italian industry in the European white goods market. Italy produces 38.5 per cent of fridges, 39.1 per cent of freezers, 33.5 per cent of washing machines, and 22.5 per cent of dishwashers. Italy had a trade surplus last year of more than L1,500bn in this sector of the market.

Zanussi is the biggest single white goods producer in Europe, accounting for one-seventh of the European fridge, freezer and washing machine market, producing 4m pieces a year and achieving turnover in this field of L745bn in 1980, of which nearly 60 per cent was earned abroad. However, Zanussi Spa, the parent company which is concentrated on the white goods market, made a net profit of L7.2bn in 1980, sharply down on the previous year's figure of L17.9bn. In recent months some 9,000 of its 16,000 white goods workers in Italy have been involved in lay-offs of different lengths, and the company is not optimistic about this year.

Zanussi's condition, nonetheless, is a great deal more healthy than that of Indesit, which is gradually recovering from last year's near-bankruptcy. That was caused largely by the weakness of the white goods market coinciding with rising production costs to produce a financial crisis in which some very curious decisions were at first made. The problems were compounded by the very bad financial performance of the company's electronic goods—brown goods—sector.

Rescue operation

However, a rescue operation was put together last summer and the company is gradually rebuilding output of white goods, and taking on increasing numbers of the 12,000 employees it laid off last year. It is taking a cautious approach to electronics but claims to have been technically in the black in the first quarter of this year.

Even so, these two companies (Indesit was considerably smaller than Zanussi even before the crash) are facing a crisis because of over-supply in both the Italian and the European markets. The European industry has the capacity to make 35m units a year, including 1.5m produced in Eastern Europe. Demand, on the other hand, appears to have stabilised at between 31m and 32m units a year. The result is strong competition between the Italian and other groups—the three European leaders are Zanussi, Philips and Siemens-Bosch, with AEG, Thomson-Brandt and Electrolux in the second rank—and serious problems in keeping plants operating productively.

The immediate *cause* of the problem is recession, but underlying it, especially in Italy, is the fact that the European market for white goods has become "mature." More than 90 per cent of all families in Western Europe have a fridge, washing machine, and a modern cooker. Much of the market is no longer being supplied for the first time, and the replacement market is heavily dependent on economic trends—when times are relatively difficult, people try to make their older machines last for a year or two longer.

In Italy the situation is probably more acute: the market is saturated, new building is stagnant, products are lasting longer without going wrong. An even more disturbing factor is the change in the structure of family spending. Under the pressure of inflation, taxation, and fiscal drag, Italians are spending more on day-to-day consumption and less on durable products. Last year Italian washing-up machine sales fell by 17.4 per cent and those of fridges by 7.9 per cent, though those of washing machines and cookers rose slightly.

Lay-offs

The problems of the Italian industry can be seen in the fact that fridge exports fell by 5.1 per cent, those of washing-up machines by 12.1 per cent, while those for most other items were stagnant. The result has been the building up of stocks followed by the suspension of production and the resort to Cassa Integrazione—the system of state-subsidised lay-off—for varying numbers of the 60,000 or more people employed in the sector.

The weakness of export sales is attributed in part to the problems that face all Italian exporters and are included in almost every industrialists' association's litany of complaints: that inflation is too high, while the devaluation of the lira in March has done virtually nothing to offset it; that Italian wage rates are too tightly indexed to the inflation rate and that labour restrictions are an excesssive brake on improving productivity. All these difficulties *accentuate* what is a profound problem.

To them must be added the growing presence on the European market of East European products, particularly fridges, at much cheaper prices, as well as small electrical domestic appliances from the Far East. This forces the existing white goods manufacturers to move up-market, obliging them to invest substantially in new equipment and launch new models.

The Italian industry's view is that some form of understanding ought to be reached between the main companies in the sector which would have to involve means of limiting production or dividing up markets, while leaving the smaller concerns to keep their role in the "interstices" of the market. But the industry appears reluctant to get the whole issue subsumed into discussions involving the Government on a "sector plan" which would be out of date by the time it had been agreed.

In the meantime individual companies like Zanussi are taking steps to scale down their presence in the white goods sector—for Zanussi it accounts for 71 per cent of its sales. The obvious place for Zanussi to expand is into brown goods (home electronic goods), but that is a sector in even greater disarray.

Entrepreneurs bring in the profits

AEROSPACE

JAMES BUXTON

THE ITALIAN aerospace industry is a good example of how a country which has not traditionally been a big aircraft manufacturer and which does not spend heavily on defence can operate successfully and on the whole profitabily.

The industry is not burdened with excessively large and unwieldy projects, or those embarked upon for reasons of prestige. It concentrates on sectors of the world aircraft market which are not well covered by the big foreign manufacturers, and on participating in joint ventures with other countries.

Yet even though the two major aerospace groups are state-controlled it could be said that the industry's successes have been achieved despite rather than because of state direction. For not only is there no long-term strategy for the industry, but the industry suffers from the Government's financial cheeseparing — in terms of recapitalising state aerospace groups, paying promptly for the industry's products and financing the development costs of new projects.

The industry therefore relies on the natural entrepreneurial skills of Italian executives, often as much in evidence in the state sector as in the private sector, and on Italian engineering expertise. The aerospace industry is not big, its turnover in 1979 was L1,120bn ($1bn), less than a quarter of that of France, the leading European aerospace manufacturer. It employs about 40,000 people.

There are three main aircraft making groups. The biggest is Aeritalia, owned through the Finmeccanica holding company by the IRI group, and formed in 1969. Then there is Agusta, currently the biggest Italian aerospace company in terms of sales, and 51 per cent-owned by the state holding company EFIM. Finally there is the smaller privately-owned Aeronautica Macchi, or Aermacchi.

Even though Aerotalia's sales of L277bn last year were inferior to Agusta's L450bn, the gap between them is likely to be narrowed as some large new projects begin developing substantial sales. Among the most important is Aeritalia's work on the Boeing 767 project—the twin-engined medium-range aircraft which will carry 200 people, and which competes directly with Airbus Industrie's A310.

The association with Boeing on the 767 project, finalised in 1978, is a considerable achievement for Aeritalia, partly because of the revenue it will generate and partly because of the advanced technology which the Italian concern is using.

Shared risk

Aeritalia is officially a participant rather than a subcontractor in the project. It shares the risk, and this will be reflected in the nominal price—still under negotiation—at which Italian-made parts are transferred to Boeing. With firm orders and options standing at over 300, Aeritalia hopes the project will eventually generate about $2bn worth of business.

The parts of the aircraft made by Aeritalia include the tail assembly, and the moving parts of the tailplane and wings. They are made of carbon fibre, exceptionally light—to conserve fuel—while stronger than metal and requiring a much more sophisticated manufacturing process than conventional metal parts.

The Boeing 767 programme is concentrated on the company's plant at Pomigliano d'Arco, near Naples. In addition to the usual labour and absenteeism problems of the south the plant suffered seriously from last November's earthquake. As a result the plant only just managed to deliver parts for the first aircraft which is due to be rolled out at Seattle on August 4 and delivered in June 1982.

Aeritalia is also responsible for building at Turin, the wings of the Anglo-German-Italian Tornado multi-role combat aircraft, as well as the full assembly and testing of the 100 Tornadoes ordered by the Italian Air Force. Its next major combat aircraft project is the AM-X, a subsonic, single-engined fighter designed to be complementary to the Tornado in the Italian Air Force and will replace the F104 Starfighter and the Fiat G91 when it comes into service in 1986.

The AM-X is being built in collaboration with Aermacchi, the private sector Italian aircraft maker, with each concern running a separate production line to meet the Italian air force's 180 orders. The AM-X is also to be built under licence by Embraer of Brazil whose air force will take 100.

The other major Aeritalia product is the G222, a twin-engined military aircraft for transporting troops, light vehicles and equipment which has the ability to land on short landing strips.

Because of lack of sufficient Government financing and the fact that Italian aircraft customers normally only pay on delivery the project has been co-financed by a consortium of its major suppliers, including Fiat and Aermacchi. So far 72 aircraft are under construction or have been completed, of which the Italian air force is taking 44. Others have been sold to Dubai, Somalia and Argentina, and there are high hopes for more sales in Latin America following a long promotional visit there by the aircraft earlier this year.

When the U.S. Government refused to let General Electric supply engines for 20 G222s for sale to Libya, a new version of the aircraft was developed using Rolls-Royce Tyne engines. The first Rolls-Royce powered G222s are now being delivered to Libya.

Aeritalia's next transport aircraft project is for a turbo-prop commuter aircraft capable of carrying up to 46 passengers. This is designated the ATR 42 and is a joint venture with Aerospatiale of France. The aim is to fill the need in the later 1980s and 1990s for economical aircraft on short routes—mainly in the U.S.—where operating bigger jets has been made uneconomic by the Carter Government's airline deregulation policy.

A production agreement with the French concern is expected shortly. First deliveries are planned for 1985 and Aeritalia hopes to build 400 to 500 of the aircraft in its different versions.

The Agusta Group concentrates almost entirely on helicopters. It makes American Bell, Sikorsky and Boeing helicopters under licence. This accounts for about three-quarters of its output. It manufactures two existing models of its own.

It has two new projects — the A-129 anti-tank helicopter and the FH-1C1 naval helicopter. This is being constructed by a joint venture with Westland Helicopters of Britain and will be supplied to the navies of the two countries.

The MB339 is the latest military trainer aircraft built by Aermacchi. It is powered by a Rolls-Royce Viper 600 Series engine

Agusta' subsidiary Siai Marchetti, which makes light jets, is to present its new S-211 elementary jet trainer at the Paris Air Show this year. Agusta's sales were hit last year by the U.S. refusal to allow it to export Chinook helicopters made under licence to Iran — as a reprisal for the seizure of the U.S. hostages — but this problem is understood to be resolved.

Even so both Agusta and Aermacchi have the benefit of being export-oriented companies — nearly 80 per cent of Agusta's output was exported last year — and thus enjoying the benefits of advance payments. Aermacchi's new project is the MB-339 trainer, derived from the successful MB-326 trainer. More than 800 have been sold. The Italian Air Force has ordered 100 MB-339s and Peru has asked for 14 of them.

While Agusta made a profit of L6bn last year, Aeritalia's operating profit of L31.7bn became a deficit of L4bn because of financial charges of L36bn. These charges are in part due to delayed Government payments and high interest rates.

Feeling of optimism after the crisis

MOTOR INDUSTRY

RUPERT CORNWELL

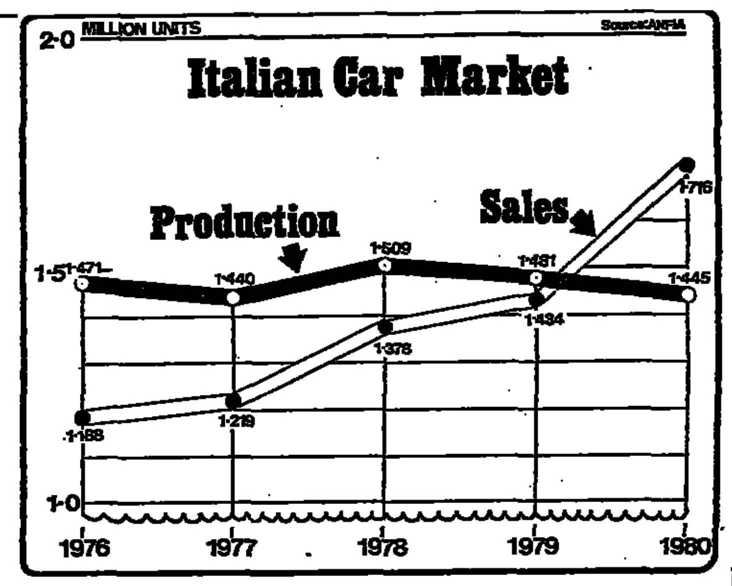
IT MAY sound strange, but in the middle of the worst period for the international car industry in a decade, Italy's motor manufacturers are more hopeful than for many years.

Perhaps the feeling is exaggerated after the dire problems of the late 1970s, but the overwhelming impression is that at last the industry is getting its house in order, and will be in a strong position when the long-awaited upturn finally does arrive, perhaps at the end of this year or early in 1982.

What happens will be largely dictated by Fiat, the Turin-based manufacturer, with its Lancia and Autobianchi subsidiaries. It accounts for about four-fifths of the country's total domestic car output, which reached 1.445m units in 1980, making Italy the world's seventh largest producer. In national terms the relative importance of the industry is hard to overstate. The Fiat group's turnover of L18,138bn ($16bn) is equivalent to almost 6 per cent of the country's total GDP. Add in the sub-contractors and the host of companies which directly or indirectly depend on Fiat and the figure would probably rise to nearly 10 per cent.

Nor does this include the two smaller Italian manufacturers: the publicly-owned Alfa Romeo, a subsidiary of the IRI-Finmeccanica state holding company; and the tiny Nuova Innocenti, run by the idiosyncratic Argentinian-born industrialist Alejandro de Tomaso. Inevitably these two will in large part take their cue from developments at Fiat.

The reasons for the new optimism are many, but can only be understood if the events of the past few years are put in perspective. In the mid-1970s, after the first oil crisis, Fiat made the cardinal error of concluding that the days of real growth for the car industry were over. accordingly it launched itself on the path of diversification — into heavy vehicles, earth moving equipment and in various other directions.



MARKET SHARES

	1979	%	1980	%
ITALIAN MAKES	867,200	60.5	1,031,988	60.12
Alfa Romeo	113,909	7.9	118,507	6.9
Lancia-Autobianchi	87,131	6.1	117,316	6.83
Nuova Innocenti	33,355	2.3	29,178	1.7
Fiat	632,255	44.1	766,397	44.65
Other Italians	550		590	
IMPORTS	566,969	39.5	684,447	39.88
Audi	7,973	0.6	16,978	0.99
BL	9,832	0.7	13,509	0.79
BMW	21,767	1.5	31,789	1.85
Citroen	79,093	5.5	84,999	4.95
Ford	71,085	5.0	78,501	4.57
Mercedes	11,192	0.8	13,806	0.8
Opel/GM	53,181	3.7	62,071	3.61
Peugeot	30,085	2.1	33,309	1.94
Porsche	839		1,527	0.09
Renault	139.452	9.7	180,663	10.53
Talbot-Simca	69,273	4.8	75,170	4.38
Volkswagen	64.821	4.5	73,391	4.28
Volvo	8,376	0.6	12,276	0.72
Total market	1,434,169		1,716,435	

Source: ANFIA

Concessions

As a result when the comparative boom of 1977 to 1979 arrived, the company was ill prepared to take advantage. Its model range was patchy and elderly, and its workforce, thanks in good measure to the strictness of Italy's labour laws, too big. Productivity had slumped in comparison with Fiat's major international competitors. The unions, at the apex of their power, refused to make the sort of concessions that would have allowed Fiat to make up lost ground. Rampant terrorism in Turin, which between 1975 and 1979 cost the lives of three Fiat executives and saw 17 more wounded. Fiat's own factories were becoming a breeding ground for Left wing extremism.

A showdown was on the cards, and it duly arrived. In autumn 1979 Fiat sacked 61 persistent troublemakers on the shopfloor. A year later came the epic confrontation between unions and management over the group's plans to lay off 23,000 car workers, to reduce stocks and trim the workforce to take account of a scheduled 20 per cent drop in output until the start of 1982.

After a four-week strike Fiat had its way and the celebrated "March of the 40,000" through the streets of Turin, demanding a return to work probably marked a major watershed in postwar Italian industrial affairs. As this was going on, Fiat announced a $5bn five-year investment plan, the bulk of which is earmarked for new models. The first, the Ritmo/Strada had already appeared in 1978, then came the Panda utility a year later.

Probably the most important will be the keenly awaited Tipo-Uno (or model 1) which will replace Fiat's winner of the last decade, the 127. Tipo-Uno will determine whether Fiat can recapture the best-selling car in Europe title from the Volkswagen Golf. Further in the future is a Tipo-Tre (model 3) which will take over from the 131 and 132 at the top of the Fiat range.

These, coupled with the highly regarded Lancia Delta hatchback offer considerable grounds for hope that Fiat will be as well placed this time as it was badly placed in 1977 to draw maximum benefit from the next upswing in the market. In the meantime, having sorted out its union difficulties — absenteeism has dropped by more than half and productivity climbed by between 8 and 10 per cent since the strike—having renewed its model range, and shored up its finances, the company is aiming to strengthen its marketing network.

On the international front all the Italian manufacturers are forging new alliances. Fiat has joined France's Peugeot to build a plant (probably in Italy) that will be producing 1m fuel efficient new engines by 1985. Alfa Romeo with Japan's Nissan in a controversial joint venture near Naples to produce 60,000 small-to-medium range cars a year from 1984. Innocenti has joined with Japan's Daihatsu to import engines to mount in a new range of small cars. These will succeed the variant of the Mini which Innocenti manufactures under licence from Leyland of the UK.

Eyebrows were raised by the two agreements with Japan; this stems from the fact that Italy, alone of the EEC countries, unilaterally restricts Japanese imports to 2,000 units a year—or slightly more than 0.1 per cent of the domestic market. How, it has been argued by Fiat in particular, can Italy risk opening the floodgates to such dangerous competitors when everyone else in Europe is desperately trying to stave off the Japanese threat? Alfa insists the deal is so small it will not make any practical difference—other than to employ existing surplus capacity at Alfasud's Pomigliano D'Arco engine Plant.

Benefits

The Italian market has comfortably overtaken that of Britain, to become the third largest in Europe, after France and West Germany. Despite a poor March, first quarter registrations rose a further 4 per cent in 1981, to 478,794 units. A sharp contraction is predicted, but thus far, it has failed to materialise.

Financially, there are signs of better times. Fiat's car division lost L130bn ($114m) in 1980, but will show a vast improvement in 1981. Further benefits will flow from a return to profits by Iveco, its multinational lorry subsidiary, which last year was hard hit by losses at its Magirus offshoot in West Germany.

As for Alfa, a reorganisation at the end of 1980 produced a tiny accounting profit. Operating losses, at L40.4bn ($35m) were down from 1979's L58.3bn. Proportionately, however, Alfa has been harder hit than Fiat by the slump in export sales, and its tiny 7 per cent share of the Italian market is not enough to allow it to make up at home what it has lost abroad.

Stockpile policy defended

WASHINGTON—The Reagan Administration defended here its controversial plan to sell all the silver in the U.S. strategic stockpile, reported Reuter.

In spite of fresh Congressional criticism, Administration witnesses asked a House of Representatives subcommittee to approve a Bill authorising sales of 139.5m ounces of silver valued at $2.1bn.

The Administration plans to use the funds from sales of surplus silver and tin to buy cobalt, chromium, manganese, titanium and other materials required by the stockpile.

Mr Roy Marcon, the Government's stockpile manager, told the committee that "although silver for photography and electronic purposes is essential in war, our emergency scenario indicates available supplies would be more than adequate.

But Congressman Larry McDonald objected to the proposed sale, saying the U.S. should be buying silver. "We could be facing an Opec-style silver cartel in a few years," he said.

Our Commodities Editor writes: U.S. concern about a possible shortage in supplies of vital raw materials was emphasized yesterday at a London conference on "Startegic Metals in the 80s."

Mr Michael Calingaert, U.S. deputy assistant secretary of state for resources and food food policy, noted that the U.S. dependence on imports for some minerals and metals was very high: in 1980 the ratio of imports to total supplies was over 90 per cent for 10 materials and over 50 per cent for 19. Among the highest were cobalt, chromium, bauxite/alumina, titanium ores and tantalum.

He added that the potential for increased competition for world mineral supplies made the Soviet role in wirld markets of concern to the U.S. and its allies.

Senator John Towers, chairman of the Senate armed services committee, said the present stockpile holdings were out of balance. In value terms total stockpile goals should be worth $20.7bn. Present holdings were worth $14.9bn, of which $6.8bn were surplus materials.

He added that the Western world should make the most of any opportunities to protect access to the "treasure trove" of vital minerals in underdeveloped countries, notably central and southern Africa.

EEC clampdown on cheap fish imports urged

BY RICHARD MOONEY

EEC PRICE mechanisms designed to protect Common Market fishermen against unfair competition from cheap imports are not working, a Government-appointed committee of inquiry has decided.

The committee was set up in February to investigate British fishermen's claims that unfair competition from imports was ruining their market.

Announcing the publication of its report in a written Parliamentary answer yesterday, Mr Peter Walker, the Minister of Agriculture and Fisheries, said it confirmed that significant imports from third countries had been coming in at below the reference price. "We have already drawn the attention of the EEC Commission to this and are pressing them to act to stop this trade," he said.

Out of 4,000 tonnes of frozen fish imports from third countries monitored in February and March, no less than 73 per cent came in below the reference price, the committee found.

It also confirmed allegations that lorries overloaded with fish were entering the UK from other EEC states. This practice resulted in lower unit transport costs. Mr Walker said it had been agreed with the Minister of Transport that special attention would be given to the weight testing of lorries.

But the committee could find no evidence to support other allegations by UK fishermen which included: that Dutch fish withdrawn from the local market because of low prices was being sold off illegally in Britain; that fish caught in excess of EEC quotas by Continental fishermen were being sold cheaply in Britain; that Continental fishermen were receiving bigger Government subsidies than the British; and that fuel costs were being held down for Continental fishermen.

It concluded that the main reasons for low prices received for British-caught fish were the strength of sterling, the weakening of international prices, higher cost rises than in other UK industries, and the lack of an exchange rate equalisation system for the fish trade.

"These factors may have led fishermen to suspect abnormal (unfair or illegal practices by exporters to the UK when in fact these factors by themselves can account for low-priced imports," the report said.

Commenting on the report yesterday Mr. Alick Buchanan Smith, Minister of State with special responsibility for fishing, said it had "blown away a number of delusions."

While it was not possible to assert that the alleged malpractices were not taking place at all, he was confident they were not taking place on a scale sufficient to interfere with market prices.

Mr Austen Laing, president of the British Fishing Federation, who was a member of the committee, was less certain. But he admitted the majority of the allegation could not be proved and agreed with the report's main conclusions.

He said a system of monetary compensatory amounts, such as already operated in the Community's agricultural trade, was necessary to equalise market prices. But Mr Buchanan Smith said this was not practical because current EEC thinking was generaly in favour of dismantling the MCA system.

UN jute promotion scheme

BY BRIJ KHINDARIA IN GENEVA

THE UNITED NATIONS is paying for a $500,000 programme to promote jute products in the U.S. through the Jute Carpet Backing Council, a New York based trade association.

The International Trade Centre (ITC), a Geneva-based trade promotion agency of the United Nations, has developed the two-year project which is being funded by the UN development programme.

A similar programme worth $1.3m was begun in Europe in January this year funded by the Common Market, Holland, Belgium and Switzerland.

The U.S. is the world's largest buyer of jute and jute products with jute carpet backing imports alone from India and Bangladesh amounting to $100m in 1979.

During the 1970s, jute products especially carpet backing suffered a severe setback because of competition from Synthetic replacements. But jute carpet backing has been found to be longer lasting, less inflammable and easier to use than synthetics and an upsurge in demand is expected in coming years. Although jute carpet backing is cheaper than synthetics, production costs are high because manufacturers use antiquated machines and lack investment funds needed to cut costs.

The main competitor for jute is propylene, the base chemical for polypropylene polymer, a major by-product obtained from crude oil. Although jute consumption fell by about 35 per cent in the early 1970s, jute products still account for about 40 per cent of the total market for carpet backing.

Meanwhile, separate talks continued in Geneva to prepare the ground for an international commodity agreement on hard fibres, namely, sisal (and henequen), coir and abaca. Although these commodities account for a very small share of the world's commodity trade they have great importance in the economies of producing countries all of which are among the world's poorest.

The most controversial of the issues which must be solved before negotiations for an international agreement on the three fibres can begin is price stabilisation. Both producer and consumer countries have doubts about the need for stabilisation measures and studies are still underway. For sisal and henequen a study exists outlining how a buffer stocking system to stabilise prices might work but further investigation is needed for the other fibres.

The more likely emphasis will be on measures to improve production methods and marketing and managerial techniques for the three fibres. A previous meeting drew up a list of such development measures for abaca and coir and the current meeting, which ends on Friday is considering such a list for sisal and henequen.

Another argument concerns whether three separate bodies should be created for the three different fibres as part of any future international agreement.

Downturn in sugar prices

By Our Commodities Staff

WORLD SUGAR values finished sharply lower on the London futures market yesterday after a day of wide price fluctuations. The October position closed £8 down at £216.75 a tonne, ending a run of eight successive daily gains which had lifted the price by £45.

After falling nearly £5 during the morning nearby values were boosted in the afternoon by the announcement of an unexpectedly low export allotment at the EEC's weekly tender in Brussels. This helped the October price up to £226 a tonne. But the rise was short-lived. Prices quickly fell back when it was recognised that the low amount of export licences granted—43,250 tonnes of whites compared with 104,700 tonnes last week—reflected slack demand from traders rather than deliberate EEC policy.

The rise in the world price during the past week allowed the EEC Commission to cut the export subsidy granted to bridge the gap between the EEC price and the world level to 11.01 European currency units from 16.471 ECU's last week.

Lead/zinc mine strike averted

By John Edwards, Commodities Editor

THE THREATENED strike at Cominco's Pine Point lead and zinc mine was averted yesterday when workers agreed to the terms of a new labour contract. The news brought little immediate reaction on the market.

Cash zinc closed £11 down at £403 a tonne.

Cash lead closed £7.25 up at £348.25 a tonne, but it was felt the market would have moved higher in line with other metals but for the Pine Point settlement.

News of further industrial unrest at the El Teniente mine in Chile, including reports of hunger strikes, helped boost copper prices. Cash wirebars gained £6.25 to £852.25 a tonne also encouraged by the weaker trend in sterling against the dollar. However, Asarco announced a cut of 2 cents to 85 cents a pound in its U.S. domestic selling prices for copper.

GRAIN TRADE

Drought hits China's crops

BY COLINA MacDOUGAL IN PEKING

CHINA'S worst drought for many years has now affected more than 94 per cent of the whole country's winter grain crops and an even larger acreage of spring-sown crops, Peking Radio has reported.

The main winter wheat-producing areas of Peking, Tianjin, Hebei, Shandong and Henan, have been badly hit, the radio said.

Winter wheat accounts for the bulk of China's wheat crop, which last year was also seriously affected by drought. As a total of 54m tonnes, it showed a drop of 14 per cent below the 1979 record.

Losses of spring-sown crops, such as coarse grain, pulses and tubers, are likely to have grave effects since these foods are usually relied on to fill the gap when the wheat harvest is poor.

While some rain fell in mid-May in North China, it seems to have had little effect, since Peking and other local radio stations have continued to report intensive anti-drought measures. Chinese provincial authorities are continuing to hammer home the key importance of irrigation and careful tending of newly-sown crops.

In some areas, however, there is no water even for these measures. In Gansu province, over a million people do not have enough drinking water, according to the Xinhua News Agency. In Henan province, where autumn crops have been sown, the seedlings have failed and conditions are so poor that over wide areas sowing has been impossible. Henan radio reported that no rain was forecast for the near future.

Wheat accounted for a sixth of China's total grain harvest of 318m tonnes in 1980. A failure of much of the crop would have a significant effect on China's total harvest.

U.S. strives to maintain markets

U.S. AGRICULTURE Secretary John Block told Reuters the U.S. will offer the USSR 4m tonnes of grain at a meeting in London next week, and more if needed.

In a speech to a U.S. Agricultural Attachés conference in the Hague Mr Block also said the recent embargo on U.S. farm exports to the USSR generated a competitive threat from other producers which would be countered.

He said the U.S. will pay for the embargo imposed on grain exports to the USSR in January 1980 for many years to come.

The U.S. had "lost out percentage-wise" as the Soviet Union will not rely on the U.S. as it once did, having found alternative, steady suppliers in, for example, Argentina.

The U.S. must now re-establish itself as a reliable source of grain supplies, he added.

Mr Block said the U.S. will not impose another embargo except under extreme circumstances, and such an embargo would be on all products and services and not just grain.

The U.S. would meet the Soviet Union's grain requirements this year, he said. The U.S. will offer the USSR 4m tonnes of grain at a meeting in London on June 8 and 9, adding: "and more if they need it."

The meeting is primarily to discuss additional grain sales to the USSR under the fifth year of their bilateral grain agreement ending on September 30.

Mr. Block said the U.S. was developing specific plans to step up agricultural exports. He said world grain producers have increased their production and the U.S., to counter this, has targeted certain countries in which it will sell its products.

Mr. Block said the grain sales export drive is aimed at Algeria, Brazil, China, Chile and Morocco.

As well as additional grain exports the U.S. plans to sell more U.S. procesed and semi-processed agricultural products.

Import curbs opposed

THE HAGUE—U.S. Agriculture Secretary, Mr John Block, said he had received no unqualified assurances from any of the five European farm ministers he had met that US exports of vegetable oil and derivatives to the EEC would continue unlevied.

He told Reuters he had EEC support in principle for his policy to promote U.S. farm exports and protect existing markets.

He said he had received general support, particularly from West Germany and Britain, but was taking no unqualified pledges that certain U.S. farm exports would stay unlevied back to U.S. farmers when he leaves for Washington today.

Visiting the Netherlands on the last leg of a 10-day European trip he said the tour had been useful in outlining the Reagan Administration's agriculture policy to the EEC, its biggest export market.

He said he has made clear to the EEC he is violently opposed to any levies imposed on imports of U.S. vegetable oil or derivatives into the EEC in order to bolster the EEC budget and protect EEC farmers.

Massive retaliation would follow the imposition of any proposed levy, he added, but would not say if it would be agricultural or stretch outside the agricultural sector.

He felt he had registered concern about a possible levy on U.S. products as well as about subsidised EEC wheat exports which may disrupt the U.S. farm export drive.

Growing EEC grain exports have caused the U.S. concern, Mr Block said, while EEC farmers complain that U.S. derivatives replace EEC cereals in animal feeds, leading to costly surpluses.

EEC farm organisations have expressed concern about the proposed U.S. farm export drive.

EEC farmers are particularly worried that measures such as credit programme improvements announced in a speech earlier this morning by Mr Block may erode the EEC competitive edge in traditional markets.

BRITISH COMMODITY MARKETS

BASE METALS

BASE METAL PRICES gained ground on the London Metal Exhange yesterday as sterling weakened. Copper closed the late Kerb at £875.5 after reaching a high of £879 during the afternoon, sustained by renewed labour troubles in Chile. Tin traded within a narrow range, closing at £6,290, as did Aluminium, finally £646.5, and Nickel, which closed at £3,095. Lead's progress was restricted by the settlement of the dispute at Cominco's Pine Point operation, and the metal closed at £346.5. Zinc remained a nervous market after the previous day's slide, finally closing unchanged at £411.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	852-.5	+5.5	852-.5	+6.25
3 months	876.5-7	+5.5	877-.5	+7
Settlem't	852.5	+5.5	—	......
Cathodes				
Cash	845.5-6	+6	847-.5	+7.25
3 months	866.5-7	+6.25	866.5-7	+6.5
Settlem'	846	+6	—	......
U.S. Prod			*81.5-6.25	......

Amalgamated Metal Trading reported that in the morning copper cash wirebars traded at £852, 51.5, 52; three months £876, 75, 74, 74.5, 75, 76, 77, 77.5, 77, 76.5, 76, 76.5, 77. Cathodes: Cash £846, 46.5. Kerb: Wirebars: Three months £877, 77.5, 77, 76.5. Afternoon: Wirebars: Three months £877.5, 78, 78.5, 77.5, 77. Cathodes: Cash £847; three months £867. Kerb: Wirebars: Three months £877, 76.5, 76, 75.5, 76. Turnover: 24,425 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6180-5	+15	6170-5	+15
3 months	6295-300	+28	6290-2	+23.5
Settlem't	6185	+15	—	......
Standard				
Cash	6175-80	+30	6170-5	+15
3 months	6295-300	+25	6290-2	+23.5
Settlem't	6180	+30	—	......
Straits E.	$529.36	......		......
New York		......		

Tin—Morning: Standard: Cash £6,180; three months £6,290, 95, 97, 98. Kerb: Standard: Three months £6,295, 97. Afternoon: Standard: Cash £6,170; three months £6,290. Kerb: Standard: Three months £6,290. Turnover: 485 tonnes.

Lead—Morning: Cash £350, 49.5, 49; three months £355, 55.5, 56, 56.5, 57, 57.5, 57. Kerb: Three months £356.5, 57. Afternoon: Cash £349; three months £357, 58, 57.5, 58, 58.5. Kerb: Three months £358, 57, 57.5, 58, 58.5, 58, 57.5, 57. Turnover: 10,300 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	348-9	+2.75	349-50	+7.25
3 months	357-.5	+3.5	358.25-.5	+6.12
S'ment	349	+3		......
U.S. Spot	—	......	*38	......

ZINC—Morning: Cash £406.5; three months £416, 15.5, 16, 14, 13, 14.5, 15. Kerb: Three months £415. Afternoon: Three months £415, 15.5, 16, 15.5; 15, 14, 13.5, 13. Kerb: Three months £412.5, 12, 11, 12, 12.5, 13, 14, 13, 12, 11. Turnover: 15,750 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Cash	406.5-7	—14	403-4	—11
3 months	414.75-5	—15.7	412-3	—11.2
S'ment	407	—14	—	......
Primw'ts		......	*46.5	......

Aluminium—Morning: Three months £647, 48, 49, 47, 46. Kerb: Three months £646. Afternoon: Three months £647, 47.5, 47, 46.5, 47.5. Kerb: Three months £646.5. Turnover: 5,025 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unoffici'l	+ or —
	£	£	£	£
Spot	626-.5	+1.5	627-8	+7
3 months	646-.5	+2	647-.5	+7

Nickel—Morning: Mid-Aug. £3,100: three months £3,105, 10, 05, 3,100, 05. Afternoon: Three months £3,105, 03. Kerb: Three months £3,095. Turnover: 936 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unoffici'l	+ or —
Spot	3045-55	+5	3050-5	+27.5
3 months	3105-8	+11.5	3103-5	+21.5

* Cents per pound. ‡ MS per kilo. † On previous unofficial close.

SILVER

Silver was fixed 7.1p an ounce higher for spot delivery in the London bullion market yesterday at 521.2p. U.S. equivalents of the fixing levels were: spot $10.499, up 1.9c; three-month 10.958, up 1.8c; six-month $11.383, down 0.4c; and 12-month $12.186, down 13.9c. The metal opened at 515-522p ($10.45-10.60) and closed at 516-523p ($10.40-10.55).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	521.20p	+7.1	520.5p	+8.0
3 months	536.90p	+7.3	535.5p	+6.75
6 months	553.60p	+7.5	—	......
12months	585.60p	+1.5	—	......

LME—Turnover 149 (87) lots of 10,000 ozs. Morning: cash 520; three months 533.5, 34, 37, 36, 35, 36. Kerb: Three months 536, 36.5, 36. Afternoon: Three months 536. Kerb: Three months 535, 34.

COCOA

After opening unchanged futures made small gains as short covering and fresh manufacturer off take lifted prices in thin trading conditions. These gains were pared during the afternoon due to modest producer sales for prices to close near the lows of the day, reported Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
July	840-41	—6.0	852-839
Sept.	864-65	—3.0	875-863
Dec.	903-04	—1.0	910-899
March	932-35	—2.0	941-929
May	951-53	—0.5	959-950
July	970-73	—0.5	978-970
Sept	989-90	+0.5	990

Sales: 3,500 (4,312) lots of 10 tonnes.

ICCO Futures—Daily price for June 2: 79.34 (80.12): five-day average 81.38 (82.08).

COFFEE

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
July	910-12	+16.5	925-905
Sept	917-20	+14.0	925-913
Nov	916-17	+16.0	924-912
Jan	913-17	+17.5	920-912
March	909-15	+15.0	921-908
May	907-20	+22.5	906
July	905-16	—0.5	—

Sales: 3,087 (4,719) lots of 5 tonnes.

ICO Indicator prices for June 2 (U.S. cents per pound): Comp. Daily ICA 1978 110.59 (109.92): 20-day average 116.07 (116.58).

COTTON

LIVERPOOL — Spot and shipment sales amounted to 110 tonnes, bringing the total for the week so far to 393 tonnes. Only scattered operations took place, most attention was paid to American-type qualities, with Russian growths chiefly in request.

GAS OIL FUTURES

The market opened about $2.00 lower before rallying to the highs and trading steadily at these levels all day. Physical prices were lower, but steady commission house buying kept prices of the futures market up, reports Premier Man.

Month	Yesterdys close	+ or —	Business Done
	$ U.S. per tonne		
June	270.50	—0.50	270.50-69.50
July	272.00	—	272.50-70.00
August	276.00	+0.25	278.25-74.00
September	281.00	+0.25	281.00-80.00
October	286.50	+0.75	286.25-86.75
November	291.50	+0.50	291.00-90.00
December	295.25	+0.75	295.75-95.00
Januarry	301.00	--	302.00-0.000
Febuary	306.50	+1.00	306.50-06.50

Turnover: 692 (1,218) lots of 100 tonnes.

GRAINS

July wheat opened unchanged and closed unchanged on the day in very thin trading. New crops opened 5p down on wheat and 15p down on barley. In featureless trading values drifted lower to close 10p-20p down on the day, Acli reports.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterday close	+ or —
July	116.80	—	—	—
Sep	101.20	—0.20	95.20	—0.10
Nov	104.90	—0.10	98.90	—0.10
Jan	108.80	—0.15	102.40	—0.20
Mar	112.40	—0.10	105.90	—0.10
May	115.90	—0.10	109.10	—0.15

Business done—Wheat: July 116.90-116.60, Sept 101.20-101.10, Nov 104.80-104.75, Jan 108.80-108.75, March 112.40 one trade, May no trades. Sales: 40 lots of 100 tonnes. Barley: Sept 95.15-95.10, Nov 98.90 one trade, Jan and March no trades. May 109.10-109.05. Sales: 20 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 2 14 per cent June 108.50, July and Aug 108 transhipment East Coast. U.S. Hard Winter 13½ per cent June 108, July 107.50, Aug 108 transhipment East Coast. English Feed fob June 116, Sept 105.50, Oct 107.50, Oct/Dec 109 East Coast. Maize: French June 128.75 transhipment East Coast. South African Yellow June/July 90. Barley: English Feed fob June 107, Aug 96.75, Sept 98, Oct/Dec 102.75, Jan/March 108.50 East Coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed—Barley. Eastern 101.70, E. Mid. 101.90, N. East 100.00. Scotland 101.30. The UK Monetary Coefficient for the week beginning Monday June 8 is expected to remain unchanged.

RUBBER

The London physical market opened easier, with virtually no interest throughout the day, closing quietly steady. Lewis and Peat reported a fob June price for No. 1 RSS in Kuala Lumpur of — (273) cents a kg and SMR 20—(237.5).

No 1. R.S.S.	Yest'r'ys close	Previous close	Business Done
July	59.40-60.50	59.20-59.40	......
August	61.50-61.60	60.40-60.50	61.50
Jly-Sept	61.60-61.70	60.50-60.50	61.60-61.00
Oct-Dec	64.70-64.80	63.70-63.80	64.80-64.00
Jan-Mar	67.70-67.80	66.70-66.80	67.70-67.00
Apl-Jne	70.60-70.70	69.60-69.70	70.20
Jly-Sept	73.60-73.70	72.70-72.80	—
Oct-Dec	76.60-76.70	75.70-75.80	—
Jan-Mar	79.60-79.70	78.60-78.70	79.50

Sales: 946 (459) lots of 15 tonnes, 3 (2) at 5 tonnes. Physical closing prices (buyers) were: Spot 59.25p (58.00p): July 61.00p (60.25p): Aug. 61.75p (61.00p).

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kilo. Aug 392, 397, 395-393; Oct 396, 399, 399-389; Dec 399, 401, 399-390; Jan 400, 404, 401-392; March 404, 406, 404-399; May 411, 413, 411-406; Aug 418, 423, 420-416; Oct 421, 423, 421-416; Dec 420, 428, 425-420. Sales: 150.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kilo. July 496.0, 497.0, 496.5-496.0; Oct 492.8, 494.0, 493.5-492.0; Dec 499.8, 501.0, 501.0-500.0; March 507.5, 509.0, 508.0-507.0; May 514.5, 515.0, 514.8-514.5; July 518.0, 520.0, 519.0; Oct 518.0, 519.0, untraded; Dec 520.0, 525.0, untraded. Sales: 85.

SOYABEAN MEAL

The market opened with small gains on weaker sterling, reports T. G. Roddick. Prices remained steady with most interest concentrated on nearby positions to close unchanged on the day.

	Yesterdys Close	+ or —	Business Done
	£ per tonne		
June	131.00-31.7	+0.50	131.50-31.00
August	131.50-31.6	+0.20	131.90-31.00
October	133.20-33.4	+0.10	--
December	134.80-35.0	—0.15	—
February	136.50-37.0	—0.10	—
April	137.50-38.5	—0.25	—
June	138.50-42.0	+0.25	—

Sales: 214 (12) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £220.00 (same) a tonne cif June-July shipments. White sugar daily price £235.00 (£234.00).

Opening prices were £5 below overnight levels after a sharp decline in the Paris whites market. Although quotations recovered later following a better than anticipated New York opening the highs were not held, long liquidation developed and final prices were £8.00 below the best, reports C. Czarnikow.

No. 4 Con-tract	Yest'rdy's Close	Previous Close	Business Done
	£ per tonne		
Aug.	216.50-16.55	225.75-25.95	225.50-15.00
Oct.	218.50-17.00	224.50-25.00	226.00-16.75
Jan.	215.00-17.00	225.50-25.75	226.00-19.00
March	217.75-18.00	224.50-24.75	225.50-17.75
May	219.50-20.00	224.50-25.75	225.00-20.00
Aug	220.50-21.50	224.00-25.00	224.00-22.00
Oct.	221.00-24.00	225.00-25.75	225.00-25.00

Sales: 8,342 (14,267) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £342.6 (same) a tonne for home trade and £322.0 (£321.0) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean port. Prices for June 2: Daily price 18.68 (18.53): 15-day average 15.67 (15.38).

POTATOES

LONDON POTATO FUTURES—Some buying interest mid afternoon raised levels on all positions, in generally quiet trade. By the close values had eased, but looked generally steady at the bell, reports Coley and Harper. Closing prices: Nov 59.00, —0.1 Feb 68.20, +0.1 (high 68.20, low 67.60): April 75.40, +0.1 (high 75.70, low 74.80). Turnover: 52 (74) lots of 40 tonnes.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 76.0 to 79.5: Ulster hindquarters 88.0 to 94.0, forequarters 55.0 to 58.0. Veal: Dutch hinds and ends 128.0 to 132.0. Lamb: English small 86.0 to 92.0, medium 84.0 to 88.0: Imported frozen: New Zealand PL 70.0 to 72.0, PM 69.0 to 70.0. Pork: English, under 100 lb 46.0 to 52.0, 100-120 lb 46.0 to 51.0, 120-160 lb 42.0 to 50.0.

MEAT COMMISSION—Average fatstock prices at representative markets on June 3. GB—Cattle 95.84p per kg lw (+0.26). UK—Sheep 192.52p per kg est dcw (—0.85). GB—Pigs 75.76p per kg lw (+0.59).

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: Oranges—Outspan: Navels 48 5.10, 56 5.10, 72 4.60, 88 3.80, 112 3.80, 138 3.30, 150 3.10; Californian: 88/138 3.80-4.80: Jaffa: Valencia Lates 56/189 4.30-5.00; Cypriot: Valencia Lates 80/120 3.00-4.60; Moroccan: Lates 56/113 3.30-5.00. Lemons—Spania: trays 25/50 2.00-2.20, boxes 60/100 5.20: Californian: 115/140 5.50; Italian: 100/120 4.50-4.80: Outspan: 80/100 5.00: Jaffa: cartons 60/90 4.20-5.00. Grapefruit—Outspan: 40 3.85, 48 3.90, 56, 3.70, 64 3.35; Cypriot: 20 kg 40/64 5.50; Jaffa: 20 kg 36/75 3.85-4.75. Apples—S. African: Granny Smith 7.00-7.80, Golden Delicious 7.50-7.80, Starking 7.40-8.00; Chilean: Granny Smith 6.80-7.20; New Zealand: Granny Smith 150 8.00; W. Australian: Granny Smith 7.60; U.S.: Red Delicious 9.50-10.50; French: Golden Delicious 40 lb 125/175 3.80-4.80; Italian: 40 lb Romes 60/70 4.40-4.60; New Zealand: Sturmer Pippins 8.00-8.50, Golden Delicious 6.00, Kidd's Orange 7.50, Red Delicious 7.50-8.50; Tasmanian: Jonathans 6.50-7.00, Golden Delicious 7.00, Granny Smith 7.00, Sturmer Pippins 8.00-8.20. Pears—Belgian: Conference per pound 0.10-0.12; Italian: Passacrassana 0.12-0.14; S. African: Packhams 6.00-6.80, Beurre Bosc 5.50, Nelis 5.80; Tasmanian: Packhams 40 lb 6.80-7.20; New Zealand: Packhams 7.50; Victorian: Packham 7.60-8.20. Nectarines — Spanish: 37/42 5.00-6.00. Plums—Spanish: Beauty 4/7 per pound 0.40-0.50. Apricots—Spanish: 11 lb 2.00-3.50. Cherries—U.S.: 18 lb, per pound 0.90; French: 11 lb, per pound 0.60-0.65; Italian: 0.70; Turkish: 0.60.

English Produce: Potatoes—per bag 2.50-3.40; Kent: new 55 lb 0.10-0.11. Mushrooms — per pound 0.50-0.60. Apples—per pound Bramleys 0.08-0.15. Cauliflowers—per 12, Kent 4.00-6.00. Cabbages—per bag 3.20, Spring 22 lb 2.40-2.80. Beetroots—per bag 1.80-2.00. Lettuces—per 12, round 1.20-1.50, Cos 10/12 1.80-2.20. Tomatoes—per 12 lb D 3.60, E 3.40. Carrots—per 28 lb 3.20-3.50. Radishes—per pack of 12 x 8 oz 1.50, bunches of 15 1.20. Onions—per tray x 20 bunches, spring 1.50. Celery—per 15/24 5.50. Cucumbers—per 10/20 1.80-2.40.

★

GRIMSBY FISH — Supply good, demand fair. Prices at ship's side (unprocessed) per stone: Shelf cod £2.60-£4.20, codlings £1.80-£2.40. Large haddock £3.80-£4.40, medium £3.60-£4.00, small £1.60-£2.00. Large plaice £6.00-£6.20, medium £5.50-£6.30, best small £3.00-£4.00. Skinned dogfish (large) £5.00, medium £4.50. Lemon soles (large) £9.50, medium £8.70. Rockfish £1.80. Saithe £1.70-£2.30.

PRICE CHANGES

In tonnes unless otherwise stated.

	June 3 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	......	£810/815
Free Mkt	$1260/1290	—10	$1295/325
Copper			
Cash w'bar	£852.25	+6.25	£828.25
3 mths	£877.25	+7	£850.75
Cash Cathode	£847.25	+7.25	£821.5
3 mths	£866.75	+6.5	£838.5
Gold troy oz	$474	—2.5	$480.5
Lead Cash	£348.5	+7.25	£327
3 mths	£358.375	+8.125	£334.5
Nickel	£3,504.50	......	£3,504.50
Freemkt	285/300c	......	290/305c
Platin'mtr'y oz	£230.0	......	£213.5
Freemkt	£227.65	+3.4	£218.90
Quicksilvert	$425/430	......	$420/450
Silver troy oz	521.20p	+7.1	517.60p
3 mths	536.90p	+7.5	532.90p
Tin Cash	£6,172.5	+15	£5,890
3 mths	£6291	+23.5	£5 995
Tungsten 22.04 lb	$143.75	......	$147.31
Wolfrm 22.04 lb	$145/148	......	$142/145
Zinc Cash	£403	—11	£405
3 mths	£412.5	—11.25	£412.5
Producers	$925	......	$875
Oils			
Coconut (Phil)	$560u	—5	$552.5
Groundnut	‡		‡
Linseed Crude	£448		£424
Palm Malayan	$595z		$570
Seeds			
Copra Philip	$595y		$380
Soyabean (U.S.)	$304.5	—3	$313.5
Grains			
Barley Fut. Sep	£95.20	—0.1	£95.75
Maize	£126.75	+0.5	£127
Wheat Fut. Sept	£101.20	—0.2	£102.20
No2 Hard Wint	£108	+1.5	£106
Other commodities			
Cocoa ship't*	£926	—1	£1,051
Future Sept	£864.5	—3	£930.5
Coffee F't Sept	£916.5	+14	£1071
Cotton A Index	87.30c	......	87.55c
Gas oil July	$272	......	$277
Rubber (kilo)	59.25p	+1.25	54.5p
Sugar (Raw)	£220v	......	£171
Woolt'ps 64s kl.	540p kilo	......	550p kilo

‡ Unquoted. u May-June. v June-July. w July-Aug. y July. z Aug. † Per 76-lb flask. * Ghana cocoa.

AMERICAN MARKETS

NEW YORK, June 3.

PRECIOUS METALS came under pressure with weak currencies and erratic interest rates. Copper sold off sharply on profit taking and commission house liquidation. Sugar prices broke sharply on granting of export licences by Thailand. Heating oil continued its decline as Mexico lowered its prices. The livestock complex sold off sharply as heavy deliveries demoralised local and professional buyers. Reported by Heinold.

Copper—June 77.30 (79.50), July 78.25-78.45 (80.65), Aug 79.60, Sept 80.70-81.00, Dec 84.10-84.60, Jan 85.55, March 87.80-88.10, May 89.95, July 82.15, Sept 94.40, Dec 97.75, Jan 98.35, March 101.05.

*Platinum—June 445.6 (457.6). July 451.0-453.0 (463.8), Aug nil, Oct 470.0-471.5, Jan 487.8, April 506.3, July 525.3.

Potatoes (round whites)—Nov 73.1-73.5 (77.1), Feb 79.5-80.5 (84.5), March 85.1, April 95.3-95.6. Sales: 746.

¶Silver—June 1026.5 (1053.5), July 1037.0-1042.0 (1067.0), Aug 1055.6, Sept 1070.0-1073.0, Dec 1116.5, Jan 1131.5, March 1161.5, May 1191.5, July 1221.5, Sept 1251.5, Dec 1297.5, Jan 1313.0, March 1344.0. Handy and Harman bullion spot 1045.00 (1040.00).

*Gold—June 469.0-471.5 (474.6), July 475.4 (480.4), Aug 480.8-482.5, Oct 493.0-493.2, Dec 505.5-507.0, Feb 519.5, April 529.0-532.0, June 545.1, Aug 557.9, Oct 570.8, Dec 583.8, Feb 596.9, April 610.2.

Sugar — No. 11: July 17.28-17.35 (18.89), Sept 17.45-17.50 (19.00), Oct 17.61-17.70, Jan 17.70, March 17.90-17.95, May 18.05, July 18.14-18.16, Sept 18.17-18.18, Oct 18.25. Sales: 16,890.

Tin—576.00-585.00 (584.00-592.00).

CHICAGO, June 3.

Lard—Chicago loose 19.50 (19.25).

Live Cattle—June 67.62-67.70 (68.27), Aug 65.75-65.60 (66.60), Oct 63.65-63.50, Dec 65.35-65.42, Feb 66.60-66.25, April 67.50, June 68.65.

Live Hogs—June 49.87-49.75 (50.90), July 54.00-54.10 (55.20), Aug. 54.75-54.55, Oct 53.15-53.25, Dec 55.37-55.15, Feb 56.50, April 5.50, June 6.60, July 57.40.

‡‡Maize — July 342¾-342¼ (346½), Sept 347½-347¾ (351½), Dec 350¾-351¼, March 363¾-363½, May 369, July 373½.

Pork Bellies—July 52.10-52.20 (53.35), Aug. 51.70-51.90 (52.97), Feb 67.85-68.40, March 68.80, May 69.60-70.20, July 71.45, Aug 71.00.

†Soyabeans—July 733-731½ (748), Aug 734½-735 (751¼), Sept 734, Nov 745½-747, Jan 763-762, March 781½-782, May 796½, July 807.

‖Soyabean Meal—July 211.0-210.8 (215.1), Aug 212.0-212.5 (216.6), Sept 214.0, Oct 214.5, Dec 220.0-219.5, Jan 222.0, March 228.5, May 230.5-231.5.

Soyabean Oil — July 22.47-22.46 (22.89), Aug 22.87-22.86 (23.30), Sept 23.27, Oct 23.63-23.65, Dec 24.28-24.25, Jan 24.40-24.45, March 24.90-24.95, May 25.25-25.35, July 25.65, Aug 25.88-25.90.

†Wheat—July 400½-400 (401¼), Sept 417½-417 (419), Dec 441½-441, March 462½, May 472, July 476.

WINNIPEG, June 3.

§Barley—July 144.40 (144.00), Oct 141.50 (143.10), Dec 141.70, March 144.30.

§Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 254.54 (same).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq. feet. ‡ Cents per dozen. †† $ per metric ton.

Tuesday's closing prices

NEW YORK, June 2.

††Cocoa—July 1568 (1608), Sept 1658 (1696), Dec 1769, March 1855, May 1910, July 1960, Sept 2010. Sales: 2,280.

Coffee—"C" Contract: July 111.00-113.00 (110.57), Sept 112.00-112.25 (110.37), Dec 110.50-111.00, March 108.25, May 112.40-112.90, July 107.55-109.00, Sept 111.00-111.05. Sales: 2,101.

Cotton—No. 2: July 83.70-83.90 (84.72), Aug 83.25-84.00 (84.80), Oct 80.50-80.80, Dec 78.65-78.80, March 80.35-80.40, May 81.70-81.90, July 83.10-83.50, Oct 83.17-83.50. Sales: 4,800.

Heating oil (cents per U.S. gallon)—July 0.9201 (0.9195), Aug 0.9213 (0.9209), Sept 0.9330, Oct 0.9513, Nov 0.9710, Dec 0.9905, Jan 1.0100, Feb 1.0275, March 1.0425, April 1.0490, May 1.0485, June nil, July 1.0500, Aug 1.0575. Turnover: 2,259.

Orange Juice—July 141.10 (143.55), Sept 144.90-145.00 (146.55), Nov 146.20-146.50, Jan 147.00, March 148.00, May 149.00-149.10, July 149.80-150.00, Sept 150.80-151.00, Nov 151.05-151.75. Sales: 1,000.

CHICAGO, June 2.

Chicago Imm Gold — June 474.5 (same), July 480.2 (480.4), Sept 493.4-493.0, Oct 499.7, Dec 512.2, Jan 519.2, March 532.3, April 538.9, June 552.0.

NEW ORLEANS—Milled rice futures (cents per cwt of U.S. No. 2 long grain): Sept 2397 (2392), Nov 2296 (same), Jan 2330, March 2382, May 1414½. Sales: 76 (50) lots of 1,200 cwt.

EUROPEAN MARKETS

ROTTERDAM, June 3.

Wheat—(U.S.$ per tonne): U.S. No. 2 Dark Hard Winter, 13.5 per cent, June/July 202, Aug. 204, Sept. 207. U.S. No. 2 Red Winter June 154, July 156.25, Aug. 152. U.S. No. 2 Northern Spring, 14 per cent, June 201.50, July/Aug. 199, Sept. 204, Oct. 208, Nov. 211.

Maize—(U.S.$ per tonne): U.S. No. 3 Corn Yellow afloat June 159.50, July 159, Aug. 161, Sept. 161.75, Oct./Dec. 164, Jan./March 172, April/June 179.50.

Soyabeans—(U.S.$ per tonne): U.S. No. 2 Yellow Gulfports June 299, July 300, Aug. 301, Sept. 302, Oct./Nov. 303, Dec. 308, Jan. 314, Feb. 319, March 322, April 326, May 328. Options May 292, June 290.50, July 292, Aug. 295, Sept 298 seller.

Soyameal—(U.S.$ per tonne): 44 per cent protein U.S. afloat 255 traded/seller. June 255, July 258, Aug. 264, Sept. 265, Nov./March 274.50. Brazil Pellets June 262.50, July 268, Aug. 271, Sept. 274 seller.

PARIS, June 3.

Cocoa—(FFr per 100 kg): July 940-980, Sept. 1,015-1,025, Dec. 1,035-1,050, March 1,075-1,090, May 1,110-1,120, July 1,135-1,148. Sales at call: Nil.

Sugar—(FFr per tonne): July 2,580-2,620, Aug. 2,608-2,615, Oct. 2,565-2,566, Nov. 2,555-2,575, Dec. 2,550-2,575, March 2,600-2,615, May 2,610-2,655, July 2,620-2,670. Sales at call: 24.

INDICES

FINANCIAL TIMES

June 2	June 1	Month ago	Year ago
250.79	254.09	254.50	267.72

(Base: July 1, 1952=100).

MOODY'S

June 2	June 1	Month ago	Year ago
1093.2	1097.0	1081.3	1111.6

(December 31, 1931=100)

DOW JONES

Dow Jones	June 2	June 1	Month ago	Year ago
Spot	395.31	398.88	389.19	402.37
Fut'rs	396.07	396.54	402.11	436.75

(Average 1924-25-26=100)

REUTERS

June 3	June 2	M'nth ago	Year ago
1740.9	1731.0	1679.3	1680.3

(Base: September 18, 1931=100)

British Funds unsettled afresh by renewed weakness in sterling but equity leaders hold steady

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
May 18	May 28	May 29	June 8
June 1	June 11	June 12	June 22
June 15	June 25	June 26	July 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

A volatile trading session in British Funds provided most of the interest in another colourless day in London stock markets.

Still reflecting concern about U.S. short-term interest rates and weakness in sterling, British Funds fluctuated nervously. Medium and long-dated stocks *regained initial losses of ¼, but* subsequent selling took quotations down by ½ before a partial rally developed which left final losses extending to ¼, and *occasionally more.* The Government securities index eased 0.08 to 67.19 for a two-day fall of 0.65, or nearly 1 per cent.

The Derby provided more of a talking point than equity markets, but the latter's underlying tone held steady. *The* paucity of business was reflected in the leaders which rarely strayed far from overnight closing levels. After showing a gain of 1.4 at the day's best, at noon the FT 30-share index receded to close a net 0.3 off at 546.7. Of the index constituents, BP lost 6 more to 370p ahead of today's first quarter statement; the shares have come down from a 1980 peak of 502p.

The increase in British Telecom's external financing limit by £200m gave selected Electrical shares a boost. Insurances moved further ahead, interest in Composites again being stimulated by Allianz Versicherungs' move on Eagle Star.

Demand for Traded options continued to improve, a total of 1,192 deals being completed. Trading in puts was again above expectations and 375 contracts were struck with BP and Lonrho contributing 166 and 153 trades respectively.

Insurances active

Another lively trade was transacted in Composite Insurances in the wake of Monday's dawn raid and tender offer for *Eagle Star* from the German insurance group Allianz Versicherungs. **Eagle Star** moved within narrow limits and closed a further penny dearer at 278p, *after 279p, while* **Phoenix** *added* 10 to 262p as did **London United Investments**, to 195p. **General Accident** rose 8 to 310p and **GRE** 6 to 292p. Life issues also made progress with **Hambro Life** up 7 at 382p and **Legal and General** 8 better at 228p.

Selective buying of merchant issues provided the main feature in Banks. **Hambros** stood out again with a rise of 20 to 900p ahead of the annual results due on June 23.

Breweries remained quietly firm, but trading in the leaders was thin. **Bass**, 244p, and **Whitbread**, 186p, added 3 apiece.

Tunnel B hardened a penny to 441p: bidders **T. W. Ward** rose 5 *to 131p following the interim* results and disclosure that it now owns 42 per cent of the Tunnel votes. On Tuesday, **RTZ** increased its stake in Tunnel to *8.3 per cent of the B shares,* or nerly 6 per cent of the voting capital. Elsewhere in the Building sector, **Rowlinson Constructions** firmed 4 to 48p in response to the better-than-expected results. **Feb International** *attracted further support,* the Ordinary rising 5 to 102p and the A 4 to 96p. Revived demand in a thin market lifted **Stanley Miller** 4½ to 16½p. Among the leaders, **Blue Circle**, a couple of pence firmer following the chairman's *optimistic remarks* at the annual meeting, drifted off to close 2 cheaper on balance at 454p.

Chemicals displayed a firm feature in **Coalite** which gained 8 to 120p on the increased annual profits and dividend. **ICI** again lacked support and shed another 4 to 284p.

Austin Reed revive

Debenhams encountered *profit-taking* in the wake of Tuesday's rise of 8 on the *annual figures,* but support was evident at the lower levels and the shares, *which touched 104p, closed only* 2 down on balance at 107p. **Martin The Newsagent**, still benefiting from good first-half results, added 8 more to 254p. Speculative demand lifted **Owen Owen** 11 to 244p, while **Austin Reed** revived with a gain of 7 to 74p.

The Government's decision to raise British Telecom's external financing limits by £200m to £380m prompted improvements of between 10 and 20 in **Standard Telephones and Cables**, 520p, **Telephone Rentals**, 345p, and **Farnell**, 5145p. Elsewhere in Electricals, **Racal** reacted from an initial firm level of 376p to touch 361p before closing a net 5 easier at 365p on the announcement that the sale of Decca's radio and television interests to Tatung has been called off. Among the other leaders, **Philips Lamps** were outstanding at 452p, up 25p.

A rising *market* of late on hopes of a bid from the 600 Group which owns a 29 per cent *stake,* **F. Pratt** *lost 8 to 90p* following the former's denial. Elsewhere in Engineerings, **Edbro** rallied a net 7 to 46p after touching 38p on Tuesday following the near £3.9m annual loss and dividend omission. **Deritend Stamping** dipped 3 to 87p, after 82p, on the poor preliminary results.

British Sugar held at 330p: it was thought that **S. and W. Berisford**, 3 cheaper at 127p, which increased its stake in BSC to 12.38 per cent on Tueday, was again in the market yesterday.

Savoy A eased 4 to 187p and the **B** a point to £10¼ in after-hours dealings; **Trusthouse Forte's** offer for the company closed at 3.30 pm yesterday. **Trusthouse** added 3 to 147p.

Beecham good late

A shade easier at the house close, **Beecham** took a sharp turn for the better in inter-office dealings and ended 10 up at 199p on reports that the Group have been given the green light to market a new drug. Other miscellaneous industrial leaders traded quietly but **Metal Box** were notable for a gain of 8 to 190p ahead of the results, due next Monday. **Reed International**, at 250p, lost 9 of the previous day's rise of 14 following *comment on the results.* Elsewhere, **Polymark** rebounded 16 to 112p on talk that another suitor might come forward following the abortive bid discussions with London and Midland. **Wolverhampton Steam Laundry** added 5 to 45p on speculative buying fuelled by suggestions of a bid from Concourt, which already owns a 20.5 per cent stake. **Fothergill and Harvey** rose 7 to 151p on news of a U.S. venture and **Davies and Newman** attracted renewed demand in a thin market and closed a further 7 higher at 136p. **Bath and Portland** added 5 to 55p ahead of tomorrow's interim figures and **Marley** improved 2 to 45p on *the better-than-expected* half-yearly results. Still reflecting bid hopes, **Cawoods** improved 8 to 230p. **J. Billam** encountered renewed speculative interest at 125p, up 7 and hopes of a bid from London Trust left **Barrow Hepburn** 4 higher at 38p. **Avon Rubber** fell 5 to 98p, after 97p, on the £1½m interim deficit and dividend omission. **De La Rue**, at 740p, lost 23 of the previous day's rise of 33 which followed the better-than-expected results. *Dealings in* **Myson** *were* suspended at 48p following a bid aporoach.

Motors remained quiet. **Flight Refuelling** attracted speculative *support and rose 7 to 327p and,* among Distributors, **Lex Service** firmed 3 to 105p

East Midland Allied Press rose 5 to 118p after the *preliminary results. Elsewhere, call* option business lifted **Transparent Paper** 4 for a two-day gain of 7 at 37p, but **McCorquodale** shed 5 to 145p following *lower interim earnings.*

Leading Properties held close to overnight levels, but selected secondary issues attracted fresh support. **Daejan** became prominent, at 175p, up 12, while **M. P. Kent** rose 9 to 144p and **Marler Estates** 6 to 92p. *Renewed demand in a thin market* lifted **Churchbury Estates** 15 for a three-day gain of 35 to 620p, while **Laganvale Estates** revived and added 5 to 40p. Following the increased annual profits and dividend, **Mountview Estates** firmed 8 to 180p. Against the trend, **Second City** shed 5 to 72p on the £2m rights issue proposal.

Ultramar touched 470p before 10 up on balance at 453p after confirmation that Consolidated Gold Fields had paid approximately £6m for a 5.56 per cent stake in the company as an investment. Other Oils became increasingly nervous about the **British Petroleum** first-quarter figures, due to be announced *around lunch time today:* sporadic selling clipped 6 from **BP**, to 370p, and a like amount from **Shell**, to 360p.

Financial Trusts traded quietly and generally without distinction, although further support was forthcoming for **Mercantile House**, 20 dearer at 810p. *Dealings in* **Haw Par** were suspended at 96p following the halting of dealings in Singapore.

Textiles were featured by ***Atkins Brothers (Hosiery)*** which jumped 10 to 45p on further consideration of the annual results. **Highams** added 2 to 44p, the lower profits being out-*weighed by the maintained* dividend.

Quiet Mines

Mining markets eased yesterday in quiet trading.

South African Golds held largely unchanged as bullion traded within a narrow range, finally closing $2.50 down at $474. Falls of around ¼ were common to **West Driefontein**, £40½, **Hartebeestfontein**, £30¼, **Western Deep Levels**, £21¼, and **Libanon**, £10, while, among the lower-priced issues, **Welkom** lost 18 to 644p and **Stilfontein** put on 8 to 892p, the latter in advance of the *interim dividend.*

Platinums lost a little ground, with **Impala** 5 weaker at 370p, **Rustenburg** 3 lower at 235p and **Lydenburg** 2 off at 156p.

London *Financials drifted* lower on lack of interest, featured by **Consolidated Gold Fields**, down 9 to 508p, **Rio Tinto-Zinc**, 7 weaker at 525p and **Tanks**, which lost 5 to 315p.

Australians remained steady *in quiet conditions.* **CRA** gained 8 to 258p, **MIM** reached a new high for the year with a rise of 7 to 282p and **Ashton Mining** put on 2 to 114p after the chairman's *optimistic report to the* annual meeting. Among the exploration stocks, **Leichardt** lost 10 to a 1981 low of 40p.

FINANCIAL TIMES STOCK INDICES

	June 3	June 2	June 1	May 29	May 28	May 27	A year ago
Government Secs.	67.19	67.27	67.84	67.67	67.25	66.97	67.36
Fixed Interest	68.52	68.74	68.81	68.77	68.57	68.43	68.21
Industrial Ord.	546.7	547.0	549.2	542.5	545.6	545.4	423.0
Gold Mines	353.6	355.8	357.2	356.9	354.2	348.1	328.0
Ord. Div. Yield	6.01	6.00	5.99	6.06	6.02	6.04	8.46
Earnings, Yld. % (full)	11.76	11.55	11.52	11.68	11.81	11.78	20.41
P/E Ratio (net) (*)	10.50	10.84	10.87	10.75	10.63	10.66	5.95
Total bargains	18,286	19,407	19,584	20,213	18,782	18,429	17,666
Equity turnover £m.	—	93.84	247.43	148.57	119.67	119.16	95.88
Equity bargains	—	12,349	15,659	17,451	15,482	14,465	12,864

10 am 545.6. 11 am 547.5. Noon 548.4. 1 pm 548.4.
2 pm 546.1. 3 pm 547.1.
Latest Index 01-246 8026.
* Nil = 9.81.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (20/3)	66.39 (12/5)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	73.01 (20/3)	68.23 (22/5)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	421.1 (16/1)	281.4 (29/1)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	June 2	June 1
—Daily		
Gilt Edged Bargains	160.1	168.4
Equities Bargains	100.0	101.4
Value	293.1	500.1
5-day Avrge.		
Gilt Edged Bargains	163.1	164.2
Equities Bargains	101.7	97.7
Value	312.8	292.1

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new *Highs and Lows for 1981.*

NEW HIGHS (95)

FOREIGN BONDS (2)
AMERICANS (19)
CANADIANS (1)
BANKS (2)
BEERS (4)
BUILDINGS (8)
CHEMICALS (2)
DRAPERY & STORES (3)
ELECTRICALS (2)
ENGINEERING (4)
FOODS (4)
INDUSTRIALS (21)
INSURANCE (2)
LEISURE (3)
MOTORS (1)
NEWSPAPERS (1)
PAPER (3)
PROPERTY (5)
TEXTILES (1)
TRUSTS (3)
OIL & GAS (1)
OVERSEAS TRADERS (1)
TEAS (1)
MINES (1)

NEW LOWS (24)

BRITISH FUNDS (1)
Consols 2½pc
LOANS (1)
Agric. Mort. 5pc 1959-89
AMERICANS (1)
Sun Co. Inc.
BANKS (3)
Cater Ryder — Jessel Toynbee
Clive Discount
ELECTRICALS (1)
Scan Data
ENGINEERING (1)
Wellman Eng.
FOODS (1)
Chambers & Fargus
INDUSTRIALS (4)
Bifurcated Eng. — Change Wares
Brit. Syphon — Longton Ind.
LEISURE (1)
Man. Agcy. & Music
PAPER (1)
A.I.D.
PROPERTY (1)
Brit. Land 12pc Cnv 2002
TRUSTS (1)
Yorks. & Lancs.
OIL & GAS (4)
Humboldt Energy — *Texaco 4¾pc*
Royal Dutch — *Tricentrol*
MINES (3)
Anglo American — Leichardt Ex.
Coronation

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	5	61	30
Corpns. Dom. & Foreign Bonds	3	15	49
Industrials	258	164	947
Financial & Props.	111	77	306
Oils	15	36	35
Plantations	3	8	12
Mines	41	46	79
Others	56	47	77
Totals	492	454	1,535

LEADERS AND LAGGARDS

Percentage changes since December 31, 1980, based on Tuesday, June 3, 1981

Contracting, Construction	+42.81	Motors	+14.17
Hire Purchase	+33.99	*Electricals*	+12.97
Packaging and Paper	+30.40	Office Equipment	+11.69
Tobaccos	+29.55	Food Retailing	+11.56
Other Industrial Materials	+28.30	Merchant Banks	+11.34
Textiles	+26.81	Stores	+11.13
Other Consumer	+26.48	Insurance (Life)	+10.29
Leisure	+23.98	*Overseas Traders*	+9.81
Mechanical Engineering	+23.88	500 Share Index	+9.10
Building Materials	+22.43	All-Share Index	+8.82
Engineering Contractors	+22.40	Insurance (Composite)	+8.58
Newspapers, Publishing	+21.36	Investment Trusts	+8.05
Capital Goods	+20.24	Property	+7.29
Food Manufacturing	+19.21	*Financial Group*	+6.97
Metals and Metal Forming	+18.63	Shipping and Transport	+5.17
Brewers and Distillers	+18.14	Other Groups	+4.67
Consumer Group	+17.67	Banks	+0.99
Insurance Brokers	+17.64	Discount Houses	−2.53
Industrial Group	+16.73	Chemicals	−3.53
Health and H'sehold products	+16.58	*Gold Mines Index*	−12.69
Mining Finance	+14.59	Oils	−15.86

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
BP	370	−6	GRE	292	+6
Comet Radio	156	−5	Hill (C.) of Bristol	112	−10
Commercial Union	163	+1	*Racal Electronic*	365	−5
Debenhams	107	−2	Reed International	250	−9
De La Rue	740	−23	Tele. Rentals	345	+17
Eagle Star	278	+1	Ultramar	453	+10

TUESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Tue.'s closing price pence	Day's change	Stock	No. of price changes	Tue.'s closing price pence	Day's change
Reed Inter.	18	259	+14	Unilever	12	553	+9
Debenhams	14	109	+8	RTZ	11	532	+10
De La Rue	13	763	+33	De Beers Dfd.	10	350	−6
GEC	13	688	+1	Hambros Bk.	10	880	+15
GRE New	13	38pm	+10	Ryl. Bk. Scot.	10	184	+6
Eagle Star	12	277	+7	*Shell Trans.*	10	366	−10
Murray Tech.	12	98½	−6½	Ultramar	9	443	−7

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
May 26	June 5	Aug. 26	Sept. 7
June 8	June 19	Sept. 10	Sept. 21
June 22	July 3	Sept. 24	Oct. 5

For rate indications see end of Share Information Service

Calls were arranged in ICI, *Burmah, Mersey Docks* Combined Units, Ultramar, Eagle Star, Amalgamated Estates, Bremar Trust, Energy Capital, Phoenix Timber, Transparent Paper and Premier Oil. No puts were reported. Doubles were transacted in Debenhams, Fisons, Eagle Star and Burmah.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Figures in parentheses show number of stocks per section

	EQUITY GROUPS & SUB-SECTIONS	Wed., June 3, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Tues. June 2 Index No.	Mon. June 1 Index No.	Fri. May 29 Index No.	Thur. May 28 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (214)	346.09	+0.1	11.00	4.53	11.21	345.59	344.45	341.64	344.05	225.71
2	Building Materials (25)	301.51	—	14.90	5.82	8.03	301.37	302.08	301.72	304.39	223.24
3	Contracting, Construction (28)	577.15	−0.1	16.10	4.88	7.28	577.58	572.34	571.82	574.68	340.22
4	Electricals (28)	1081.23	—	8.01	2.43	15.52	1081.54	1074.85	1061.67	1065.37	599.02
5	*Engineering Contractors (11)*	488.01	+0.3	11.96	5.53	10.34	486.54	486.02	485.23	488.49	269.01
6	Mechanical Engineering (70)	213.00	+0.2	13.34	5.72	9.35	212.50	212.15	209.90	212.92	149.32
8	Metals and Metal Forming (13)	163.81	+0.5	9.62	7.28	13.54	162.92	163.69	162.86	165.33	149.89
9	Motors (21)	105.26	—	6.30	6.97	30.29	105.25	105.76	105.39	105.38	94.70
10	Other Industrial Materials (18)	371.14	+0.6	10.73	5.38	11.19	368.76	366.45	363.26	364.89	0.00
21	CONSUMER GROUP (195)	281.53	+0.5	12.88	5.66	9.49	280.23	279.12	277.89	279.58	210.85
22	Brewers and Distillers (20)	313.04	+0.7	14.81	6.07	8.02	310.95	309.37	306.36	306.43	266.39
25	Food Manufacturing (21)	253.22	+0.6	15.25	6.39	7.91	251.65	250.61	250.79	252.77	187.93
26	Food Retailing (14)	522.77	+0.7	9.54	3.37	12.46	519.11	517.96	517.24	520.29	302.04
27	Health and Household Products (7)	316.70	+2.9	8.53	4.50	13.94	307.84	307.92	303.48	305.89	191.73
29	Leisure (22)	433.98	+0.3	11.64	5.16	10.42	432.70	429.35	424.83	428.21	301.91
32	Newspapers, Publishing (12)	517.70	+0.4	11.47	5.45	12.29	515.71	513.28	513.15	515.05	407.78
33	Packaging and Paper (13)	148.42	−0.6	16.65	7.74	7.09	149.39	147.07	145.87	149.00	123.94
34	Stores (44)	273.81	−0.2	10.71	4.83	12.45	274.47	273.65	274.96	276.63	204.65
35	Textiles (23)	158.22	+0.1	8.87	5.73	14.94	158.11	158.94	157.17	154.40	118.53
36	Tobaccos (3)	258.60	—	22.36	9.60	5.13	258.59	257.10	253.16	256.81	200.42
39	Other Consumer (16)	301.14	—	10.02	6.31	13.69	301.20	302.30	301.24	304.20	0.00
41	OTHER GROUPS (79)	230.46	−0.2	13.34	6.56	9.14	230.90	230.38	228.95	230.57	199.90
42	Chemicals (15)	285.05	−0.6	11.31	7.27	11.15	286.63	287.81	283.35	286.12	296.36
44	Office Equipment (6)	113.92	+0.5	16.20	7.35	7.28	113.39	112.75	113.76	114.92	100.51
45	Shipping and Transport (13)	565.21	—	16.15	6.40	7.41	565.31	561.18	559.73	561.68	499.93
46	Miscellaneous (45)	301.67	—	13.89	5.62	8.68	301.73	299.69	299.46	300.82	241.79
49	INDUSTRIAL GROUP (488)	296.60	+0.3	12.23	5.35	10.02	295.83	294.79	293.01	294.94	218.15
51	Oils (12)	770.41	−1.4	23.14	7.31	4.79	781.32	799.16	800.76	805.67	791.31
59	500 SHARE INDEX	334.64	—	14.13	5.69	8.42	334.74	335.12	333.58	335.74	283.21
61	FINANCIAL GROUP (118)	253.59	+1.0	—	5.67	—	251.11	249.00	245.81	247.33	198.52
62	Banks (6)	250.85	+0.6	36.69	7.23	3.18	249.30	247.47	245.90	247.23	213.07
63	Discount Houses (10)	281.98	−0.3	—	8.00	—	282.87	282.87	282.87	282.50	243.89
64	Hire Purchase (4)	264.78	+0.2	8.50	4.69	16.28	264.36	267.47	267.52	267.77	193.19
65	Insurance (Life) (10)	260.43	+2.3	—	5.75	—	254.51	250.12	249.13	250.44	186.03
66	Insurance (Composite) (9)	162.00	+1.3	—	7.60	—	159.88	157.78	150.65	152.58	125.29
67	Insurance Brokers (8)	380.74	+1.3	11.55	6.10	11.91	375.94	368.16	369.43	373.51	299.60
68	Merchant Banks (13)	166.26	+0.8	—	4.81	—	165.01	163.60	160.87	160.05	105.92
69	Property (48)	480.16	+0.6	3.68	2.88	37.45	477.48	476.84	474.64	477.47	386.54
70	Miscellaneous (10)	171.81	+1.0	18.40	6.03	6.60	170.12	168.62	169.07	168.98	126.61
71	*Investment Trusts (109)*	304.23	−0.1	—	5.16	—	304.56	302.83	303.76	304.41	216.34
81	Mining Finance (3)	257.66	−1.4	13.30	5.21	8.81	261.20	257.13	255.32	260.72	186.86
91	Overseas Traders (20)	462.89	−1.6	10.94	6.42	11.40	470.40	473.22	474.92	477.17	362.03
99	ALL-SHARE INDEX (750)	317.96	+0.1	—	5.66	—	317.73	317.31	315.58	317.64	247.67

FIXED INTEREST

	PRICE INDICES	Wed. June 3	Day's change %	Tues. June 2	xd adj. today	xd adj. 1981 to date
	British Government					
1	5 years	107.87	+0.02	107.85	—	4.58
2	5-15 years	109.95	+1.58	108.83	0.60	4.78
3	Over 15 years	112.45	+0.77	111.59	—	4.93
4	Irredeemables	121.38	−0.45	121.93	—	6.46
5	All stocks	109.79	+0.62	109.11	0.22	4.75
6	Debentures & Loans	84.97	−0.04	85.01	—	4.89
7	Preference	64.75	−0.16	64.86	—	3.29

	AVERAGE GROSS REDEMPTION YIELDS		Wed. June 3	Tues. June 2	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	11.99	11.95	12.25
2		15 years	12.69	12.67	12.21
3		25 years	12.77	12.75	12.21
4	Medium Coupons	5 years	13.92	13.91	14.02
5		15 years	14.39	14.35	13.89
6		25 years	14.01	13.97	13.77
7	High Coupons	5 years	13.92	13.90	14.15
8		15 years	14.60	14.55	14.23
9		25 years	14.21	14.19	14.13
10	*Irredeemables* †		12.11	12.05	11.56
11	Debs & Loans	5 years	15.02	15.03	14.68
12		15 years	15.04	15.03	14.61
13		25 years	15.04	15.03	14.55
14	Preference †		15.32	15.29	15.78

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price p	+ or −	Div. Amount	Times Covered	Gross Yield	P.E. Ratio
—	F.P.	—	£26	£21½	Allegheny Int. Inc.	£36	+½	QS1.40	—	2.6	—
‖	F.P.	—	£21⅛	£16¼	Amdahl	£20¼	.....	Q40c	—	0.9	—
‖	F.P.	—	300	195	*Atlantic Res.	215	.....	—	—	—	—
85	F.P.	24/6	140	105	*Business Comp Syst	130	+2	u1.0	6.7	1.1	19.1
§90	F.P.	15/5	135	89	**Consultants 10p*	130	+2	—	—	—	—
475	F.P.	10/7	500	475	Energy Res. & Services	488	.....	—	—	—	—
10	F.P.	27/5	14	13	F'st Charlotte Ast Tst	13	.....	—	—	—	—
100	F.P.	22/5	111	102	G.T. Global Rec. Inv Tst	103	.....	—	—	—	—
‖	F.P.	—	62	53	*Harvey & Thompson	55	.....	g2.24	1.1	5.8	21.6
¶91	F.P.	5/6	96	88	*Intasun	87	.....	g2.8	4.3	4.6	6.4
§84	F.P.	15/5	114	93	*Metal Bulletin	110	.....	5.0	1.7	6.4	12.8
100	F.P.	—	107	98	Murray Technology	102	+5½	—	—	—	—
‖	F.P.	—	6½	3½	*Reliant Motors	6½	.....	—	—	—	—
‡44	F.P.	30/6	58	50	*Selec TV	50	−1	—	—	—	—
25	F.P.	29/5	25	20	Stone Platt Cnv Cm Pf	23	.....	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price £	+ or −
100‖	Nil	—	1¼pm	¼pm	BOC 9% Cnv. Uns. Ln. 2001-6	1¼pm	+1
¶¶	F.P.	26/6	23p	16p	BPC 7.75% Non. Cum. Prf.	22½p	.....
¶	F.P.	18/6	101½	100	Cambridge Water 8% Prf. 1986	100½	.....
100‖	Nil	8/6	1¼pm	¼pm	Crouch Gp. 9% Con. Uns. Ln. '95-96	¼pm	.....
99.87	£30	16/7	29¾	27⅛	Finland 14½% Ln. 1986	28¾	.....
99.486	£30	25/6	29⅛	28	International Bk. 13½% Ln. 1986	29	.....
100‖	F.P.	3/6	110¼	105	Laing Props 8¾% Cnv. Uns. Ln. 2000-05	105½	+½
99	F.P.	27/8	99	97	Newcastle Water 7¾% Red. Pref. 1986	97	.....
£1,‖	F.P.	12/6	107p	101p	Norton (WE) 11% Cnv. Cum. Rd. Prf.	101p	.....
* *	F.P.	—	91p	90p	Paterson Zochonis 10% Cum. Pref.	91p	.....
96¾	£20	7/7	20	15½	Petroleos Mex. 14½% Ln. Due. 2008	16¾	.....
£1‖	Nil	8/6	20ppm	14ppm	Phicom 8% Cum. Con. Red. Pref.	18ppm	.....
* *	F.P.	—	91¼	90½	Photax 11% Cum. Pref.	90½	−¾
£1‖	Nil	12/6	6ppm	2ppm	Rexmore 15% Cnv. Cum. Red. Prf. 1991-92	2ppm	.....
96¾	F.P.	—	98½	95	Swansea (City of) 13⅞% Red. 2008	94¾	.....
25p‖	F.P.	17/6	31½p	25p	Weir Group 10% Red Cum Part. Conv. Prf.	31½p	.....

"RIGHTS" OFFERS

Issue Price p	Am'unt paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1981 High	1981 Low	Stock	Closing price p	+ or −
Ir120	Nil	—	—	16pm	14pm	Allied Irish	14pm	.....
64	F.P.	1/6	10/7	86	81	Amal. Power Eng.	85	+1
190	F.P.	1/6	13/7	222	209	Barratt Devs.	218	+2
380	F.P.	4/6	3/7	457	438	Bestobell	450	.....
66	F.P.	26/5	19/6	86	79	Brit. Car Auction	82	.....
25	F.P.	22/5	3/7	34	31	Brit. Dredging	34	.....
77	Nil	5/6	3/7	7pm	3pm	Cadbury Schweppes	4pm	.....
60	F.P.	—	—	66	52	Change Wares Units	50	−2
500	Nil	19/6	15/7	450pm	500pm	Comm. Bk. of Near East	500pm	.....
160	Nil	17/6	16/7	6pm	2pm	Elbar	6pm	.....
55	Nil	12/6	11/8	11½pm	8½pm	Fine Art	11½pm	.....
98	F.P.	22/5	26/6	102	96	Floyd Oil	98	.....
95	F.P.	18/5	12/6	153	132	Fothergill & Harvey	153	+7
260	Nil	17/6	24/7	37pm	19pm	G.R.E.	37pm	+1
105	P.P.	—	—	101	66	Hong Kong & Shanghai Bank	99	−2
205	Nil	8/6	24/7	61pm	42pm	Horizon Travel	61pm	+6
‖	F.P.	15/5	24/6	102	95½	Lond'n Shop Pr'p 9% Cnv94-99	95½	.....
138	F.P.	22/5	19/6	176	158	Mowlem (J.)	171	−1
70	Nil	17/6	24/7	8½pm	6½pm	Northern Engineering	6½pm	.....
Ir165	F.P.	7/5	11/6	170	157	Rohan Group	170	.....
160	F.P.	15/5	12/6	176	158	Rowntree Mackintosh	164	+4
131	Nil	8/6	3/7	24pm	10pm	Smurfit (Jefferson)	22pm	−2
6	P.P.	6/5	21/9	11½	6½	Sterling Credit	9¾	.....
30	Nil	5/6	26/6	9pm	6pm	Western Selection	7pm	+1

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *g* Assumed dividend and yield. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1981. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. * With warrants. †† Dealings under special Rule. * Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Craigmount Fixed Int. Mngrs. (Jersey)
P.O. Box 195, St. Helier, Jersey. 0534 27561
Gilt Fund (Jsy.) 93.2 93.3xd +1.0 14.47
Valued weekly Wednesday.

DWS Deutsche Ges. F. Wertpapiersp
Gruneburgweg 113, 6000 Frankfurt
Investa DM32.26 33.90 +0.15 —

Delta Group
P.O. Box 3012, Nassau, Bahamas
Delt. Inv. May 26 $4.95 5.20 ..... —
London Agents: Kleinwort Benson. Tel: 01-623 8000

Deutscher Investment-Trust
Postfach 2685 Biebergasse 6-10 6000 Frankfurt
Concentra DM16.90 17.33 +0.09 —
Int. Rentenfonds DM62.10 63.65 ..... —

Dreyfus Intercontinental Inv. Fd.
P.O. Box N3712, Nassau, Bahamas.
NAV May 19 US$33.38 35.46 ....

Duncan Lawrie Inv. Mgt. (Jersey)
15-17, New St., St. Helier, Jersey 0534 73637
DL Sterling 38.9 40.8 ..... 7.20
DL International $1.34 1.41 ..... 5.30

Emson & Dudley Tst. Mgt. Jrsy. Ltd.
P.O. Box 73, St. Helier, Jersey. 0534 73933
E.D.I.C.T. 163.6 176.4 ..... 2.20

The English Association
4 Fore Street, EC2. 01-588 7081
E.A. Income Fund* 66.1 70.4 +1.6 7.10
E.A. Sterling* 68.82 68.87 +0.13 —
E.A. Equity* 70.64 75.15 +0.80 1.66
Wardgate Cm. Fd.** 17.20 17.80 ..... 2.79
*Next dealing June 10. **Next dealing June 30.

Eurobond Holdings N.V.
Pietermaai 15, Willemstad, Curacao.
London Agents: Intel 15 Christopher St., EC2. Tel: 01-247 7243. Telex 8814408.
Euro Hldgs. US$20.02 20.61 ..... 10.66

S.G. Europe Obligations S.A.
9, Avenue de la Liberte, Luxembourg
London Agent: FFS, Salisbury Hse, London Wall EC2M 5TA. Tel. 01-920 0776 Telex 887281
Europe-Obligations US$42.43 −0.12 1.93

F & C Mgmt. Ltd. Inv. Advisers
1, Laurence Pountney Hill, EC4. 01-623 4680
F&C Atlantic Fd. SA US$12.71 ..... 1.18
F. & C. Oriental Fd. US$23.25 ..... 0.43
Prices May 27. Weekly dealings.

Fidelity International Ltd.
P.O. Box 670, Hamilton, Bermuda.
8, Queensway Hse., Queen St., St. Helier, Jersey, C.I. 0534 71696
American Assets US$43.99 ..... 1.09
Am. Vals. Cum.Pf. $3 $101.50 ..... —
American Vals. Com.* $18.69 ..... —
Dollar Savings Trust US$79.86 +0.04 16.97
Far East US$34.40 −0.04 —

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Am. Gth. Tst.	61.3	66.0	-0.1	2.20
Abbey Capital	51.1	55.2	+0.3	3.99
Abbey General (z)	59.0	63.8	......	4.87
Abbey Gilt & F.I. Tst.	102.0	107.4	-0.5	12.20
Abbey Income	39.7	42.9	+0.1	8.18
Abbey W'w. Bd. Tst.	91.3	96.6	+1.3	6.94
Abbey Inv. Tst. Fd. (z)	53.1	57.4	......	4.18
Equitas Prog. Tst.	84.8	91.7	......	4.46

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	82.9	87.4	+0.1	13.00

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	94.7	101.3	+0.1	5.53
Brit. Inds. Fund	79.9	85.5	......	5.96
Growth & Income	55.2	59.1	+0.2	4.75
Elect. & Ind. Dev.	47.6	50.9	......	4.91
Allied Capital	101.9	109.0	+0.3	4.04
Hambro Fund	138.1	147.8	+0.2	5.62
Hambro Acc. Fund	193.5	207.0	+0.2	5.96
Income Funds				
High Yield Fd.	72.3	77.3	+0.1	7.76
High Income	85.7	91.7	+0.1	6.98
Equity Income Fd.	49.5	53.0	......	6.91
Govt. Secs.	24.4	25.0	-0.1	12.40
International Funds				
International	38.3	41.0	......	2.02
Japan Fund	28.0	30.0	+0.4	0.21
Pacific Fund	77.5	82.9	+0.5	0.76

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	38.7	41.6	-0.1	10.91
North American	71.7	77.5	-0.8	2.19
Canadian Exempt*	76.3	80.7	......	2.82
Canadian Trust	72.1	77.9	+1.1	2.26
Mid Mount High Inc.*	50.0	52.9	......	9.10
Recovery	60.2	65.8	+0.2	6.53
Gilt Trust	41.3	43.2	-0.3	13.37

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	48.2	52.0	-0.5	0.48
Cres. Internat'l.	91.4	98.7	......	1.98
Cres. High. Dist.	45.5	49.1	......	9.67
Cres. Reserves	53.0	57.2	+0.1	5.14
Cres. Tokyo	38.6	41.6	+0.1	0.38

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	23.7	25.1	......	8.49

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. May 29	258.9	276.1	......	4.83

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	19.9	22.0	......	7.46
Gt. Winchester O'seas	30.5	33.8	......	2.98

For Emson and Dudley see Robert Fraser Tst. Mgmt.

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	94.9	99.8	......	4.33

Fidelity International Management Ltd.
62-63 Queen St, London EC4 1AD 01-248 4891

American (z)	44.8	48.2	-0.7	0.48
Amer. Spec. Sits. (z)	32.6	35.1	-0.4	0.17
Gilt + Fixed Int.	24.0	25.2	-0.1	12.70
Growth + Income	35.5	38.2	......	6.80

Lloyd's Life Unit Tst. Mngrs. Ltd.
2, St. Mary Axe, EC3A 8BP.

Local Authorities' Mutual Invest. Tst.*
77, London Wall,

M & G Group
Three Quays, Tower Hill, EC3R 6BQ.

INSURANCE PROPERTY BONDS

Welfare Insurance Co. Ltd.♥
Winslade Park, Exeter. 0392-52155

Index Linked Gilt	93.6	98.6	......	—
Guaranteed		12.25	......	—
Moneymaker Fd.		123.3	......	—

For other funds, please refer to The London & Manchester Group.

Windsor Life Assur. Co. Ltd.
Royal Albert Hse., Sheet St., Windsor 68144

Investor Units	109.3	115.0	......	—
Accum. Pen. Units	169.7	178.5	......	—
Flex. Inv. Growth	135.4	142.5	......	—
Future Assd Growth	36.0(a)	61.0(b)	......	
Ret. Ass'd Pen.		£35.28	......	—

OFFSHORE & OVERSEAS FUNDS

Albany Fund Management Limited
P.O. Box 73, St. Helier, Jersey. 0534 73933

Albany $ Fd. (CI)	US$199.08	201.94	......	1.40

Next dealing June 26.

Alexander Fund
37, rue Notre-Dame, Luxembourg.

Alexander Fund		US$14.87	......	—

Net asset value May 26.

Allen Harvey & Ross Inv. Mgt. (C.I.)
1 Charing Cross, St. Helier, Jsy., C.I. 0534-73741

AHR Dollar Inc. Fd.	US$10.29	10.31	......	16.78
AHR Gilt Edg. Fd.	£10.87	10.88	......	13.24

Alliance International Dollar Reserves

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99⅝	97½	Exch. 9½pc 1981	99⅝	.....	9.54	11.62
98⅞	93¾	Exch. 3pc 1981	98⅞	+⅛	3.06	11.70
99⅞	99⅛	Treas. Variable '81§§	99¼	.....	11.98	12.53
100⅞	99¼	Exch. 12¾pc 1981‡‡	100⅞	.....	12.71	11.89
97⅞	95⅞	Treas. 8½pc '80-82‡‡	97⅞	−⅛	8.69	12.10
95	91⅞	Treasury 3pc '82‡‡	94⅛	.....	3.19	11.91
102⅞	100⅞	Treasury 14pc '82‡‡	101⅞	.....	13.80	11.88
99⅞	98⅞	Treas. Variable '82§§	99⅞xd	.....	13.01	12.64
95⅞	93⅞	Treasury 8¼pc '82	95⅞xd	.....	8.61	12.56
96⅞	93⅞	Exch. 9¼pc 1982	95⅞	.....	9.69	13.07
95	92⅝	Exch. 8¾pc 1983	94⅞xd	−⅛	9.22	12.42
89¼	84⅞	Exch. 3pc 1983	88¾	.....	3.38	10.29
99⅛	97⅞	Treasury 12pc 1983‡‡	97½	−⅛	12.28	13.39
98⅞	96¾	Treas. Variable '83§§	98½	.....	12.10	12.67
94⅛	92¼	Treasury 9¼pc '83	92⅞	.....	9.95	13.16
101⅞	99⅞	Exch. 13½pc '83	100¼	.....	13.47	13.34
94⅛	92¼	Exch. 10pc 1983	93⅞xd	.....	10.72	13.20
87¼	84½	Funding 5½pc '82-84‡‡	85¾	−⅛	6.41	11.99
96½	94⅛	Exch. 11¼pc 1984	95	+⅛	11.84	13.47
103⅞	100⅞	Exchequer 14pc 1984	101	.....	13.86	13.57
80⅝	78½	Exch. 3pc 1984	80xd	.....	3.75	10.91
98⅞	95½	Treasury 12pc 1984	96⅞	+⅛	12.48	13.41
107¼	104⅞	Treasury 15pc 1985	104⅞	−⅛	14.41	13.54
98⅞	95⅛	Exch. 12pc Cnv. '85	95½	+⅛	12.57	13.52
75¼	73¼	Treasury 3pc 1985	75	.....	4.00	10.94
30⅞	27⅞	Treas 11½pc '85(£30pd)●	27⅞	+⅛	12.26	13.52
98⅞	95¼	Exch. 12¼pc 1985	95⅞	.....	12.84	13.62
97⅛	93⅞	Exch. 11¾pc '86	93½	.....	12.57	13.63
70⅞	68⅞	Treasury 3pc 1986●	69⅛	.....	4.34	11.30

Five to Fifteen Years

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
97⅞	92⅞	Treasury 12pc '86	93½xd	.....	12.80	13.77
88⅞	83¾	Treasury 8½pc '84-86‡‡	82¼xd	.....	10.05	12.72
103⅞	98⅞	Exch. 13¼pc 1987	103¼	.....	13.46	13.64
81¾	76	Funding 6½pc '85-87‡‡	77	.....	8.51	12.22
99½	91⅛	Treas. 12pc 1987	92¼	−⅛	13.09	13.98
81⅛	76½	Treasury 7¾pc '85-88‡‡	79¼	.....	10.06	13.01
65½	60⅞	Transport 3pc '78-88	61¼xd	−⅛	4.88	10.98
92¾	86¼	Treasury 11½pc 1989	89⅝	−¼	13.31	14.46
93	87	Do. A	90½	−¼	13.39	14.56
67¼	63¼	Treasury 5pc '86-89	64¼	−⅛	7.87	12.02
101½	95⅛	Treasury 13pc 1990‡‡	98⅜	−¼	13.92	14.35
95⅞	89⅝	Exch. 12½pc 1990	91	−⅛	13.95	14.64
80⅞	74	Treasury 8¼pc '87-90‡‡	75⅛xd	−⅛	10.91	12.90
93⅛	84¾	Treasury 11¾pc 1991	84¾xd	−½	13.68	14.53
66¼	62⅝	Funding 5¾pc '87-91‡‡	63⅝	−⅛	9.17	12.42
90	81¼	Exch. 11pc 1991	82⅝	−¼	13.51	14.50
98⅞	91¾	Treasury 12¾pc '92‡‡	95¼	−¼	14.07	14.49
82⅞	77⅞	Treasury 10pc 1992	79⅞	−⅛	12.98	14.16
94⅞	88¼	Exch. 12¼pc '92	90⅞	−¼	14.07	14.62
101⅞	94¼	Exchequer 13½pc '92	96	−⅛	14.48	14.71
96½	90¼	Treasury 12½pc '93‡‡	93½	−¼	14.10	14.51
63⅞	60½	Funding 6pc 1993‡‡	61¼	−⅛	10.01	12.44
105¼	94⅞	Treasury 13¾pc 1993‡‡	95⅝	−¼	14.45	14.59
107¼	100½	Treasury 14½pc '94‡‡	102¼	−½	14.64	14.66
104¼	93⅞	Exchequer 13½pc 1994	94⅝	−⅛	14.48	14.67
95⅝	88½	Exch. 12½pc 1994	91⅝	−¼	14.18	14.54
79¾	71⅞	Treasury 9pc '94‡‡	72⅞	−⅛	12.43	13.48
92⅞	83¼	Treasury 12pc '95	89⅛	−¼	14.10	14.53
51¼	47⅞	Gas 3pc '90/95	47⅞	−⅛	6.30	10.09
83	77⅞	Exch. 10¼pc 1995	80	−⅛	13.44	14.21
100⅛	89⅞	Treasury 12¾pc '95‡‡	90⅞	−¼	14.14	14.37
104⅞	97⅛	Treas. 14pc '96	100⅞	−⅛	14.62	14.70
76¼	72⅛	Treasury 9pc '92/96‡‡	73¼	.....	12.63	13.54
115⅝	103⅛	Treasury 15¼pc '96‡‡	104½	−¼	14.78	14.71
103½	92⅞	Exchequer 13¼pc '96‡‡	93¼	−¼	14.24	14.39

Over Fifteen Years

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
100¾	96½	Treas. 2pc I.L.★★	96¾	−¼	2.19	2.44
50¼	47½	Redemption 3pc 1986-96	48	−⅛	6.32	9.62
101⅞	93¾	Treasury 13¾pc '97‡‡	97½	−¼	14.30	14.43
83⅞	77	Exchequer 10½pc 1997	80⅝	+⅛	13.52	14.05
74¼	70⅛	Treasury 8¾pc 1997‡‡	71½	−¼	12.64	13.44
65⅝	58¼	Treasury 6¾pc '95-98‡‡	59½	−⅛	11.47	12.72
114½	106½	Treas. 15½pc '98‡‡	107¼	−¼	14.77	14.68
95⅛	84⅛	Exch. 12pc 1998	85½	−¼	14.12	14.35
79⅛	74⅞	Treasury 9½pc 1999‡‡	76⅞	−⅛	12.97	13.51
94	87¼	Exch. 12¼pc 1999	88¾	−⅛	14.18	14.37
94⅞	88	Do. 'B'	90¼	−¼	14.20	14.39
86¼	76¾	Treasury 10½pc 1999	77⅞	.....	13.56	13.95
100	92¼	Treas. 13pc 2000	96	−¼	14.29	14.39
107¼	95⅞	Treas. 14pc '98-01	97¼	−¼	14.47	14.50
93¼	85⅞	Exch. 12pc '99-02	89⅞	−¼	14.12	12.26
104⅞	96½	Treas. 13¾pc 2000-03	100¼	−⅛	14.42	14.45
90	83⅝	Treasury 11½pc '01-04	85¼	−¼	13.88	14.01
41⅛	38⅛	Funding 3½pc '99-04	38⅝	−¼	9.39	11.07
99¼	88⅛	Treasury 12½pc '03-05	89⅞	−⅛	14.06	14.11
68¼	63¾	Treasury 8pc '02-06‡‡	65⅛	.....	12.54	12.85
92½	85½	Treasury 11¾pc 03-07	88⅞	−⅛	13.97	14.04
93⅞	86⅛	Do. 'A'	89⅝	−⅛	13.95	14.01
103⅛	95¾	Treas. 13½pc '04-08	97¾	−⅛	14.19	14.19
50⅝	46¾	Treasury 5½pc '08-12‡‡	48¼	.....	11.71	12.06
66¼	62⅞	Treasury 7¾pc '12-15‡‡	64¼	.....	12.60	12.72
98⅛	87⅛	Exch. 12pc '13-'17	88½xd	−¼	13.54	13.55

Undated

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
33¼	31¼	Consols 4pc	32¼	−⅛	12.94	—
32¾	28⅝	War Loan 3½pc‡‡	29⅞xd	−⅛	11.93	—
37⅝	34½	Conv. 3½pc '61 Aft.	35¼	−⅛	10.11	—
25	23	Treasury 3pc 66 Aft.	23⅛	−⅛	13.26	—
21⅛	19½	Consols 2½pc	19½xd	−⅛	12.68	—
21	19¼	Treasury 2½pc	19½	−⅛	13.12	—

INTERNATIONAL BANK

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
91	87	5pc Stock '77-82	90¾	.....	5.51	

CORPORATION LOANS

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
93½	90½	Bath 11¾pc 1985	91	.....	12.39	14.08
98	95	Birm'ham 12½pc 1985	95¼	.....	13.12	14.07
102	92¾	Burnley 13pc 1987	93¾	−¼	13.87	14.60
95½	87¾	Cardiff 11pc 1986	88¾	−½	12.56	14.37
100⅛	98¼	G.L.C. 12½pc '82	99½xd	.....	12.56	13.05
99	97	Do. 12½pc 1983	97½	−¼	12.82	13.86
95⅞	92½	Glasgow 9¼pc '80-82	94¾	−⅛	9.77	13.40
75½	72	Herts 6¾pc 1985-87	73¼	−½	9.51	13.90
91½	89¼	Liverpool 9¼pc '80-84	90	−¼	10.83	13.98
26	24	D. 3½pc Irred.	24xd	−¼	14.67	—
100½	98¼	Lon. Corp. 13¼pc '83	98¼	−¼	13.42	13.83
88¾	87½	Do. 9¼pc '84-85	88½	.....	10.44	12.72
97¾	94	L.C.C. 5½pc '77-81	97⅞	.....	5.63	13.39
80½	78¾	Do. 5½pc '82-84	79⅞	−⅛	6.93	13.85
71¼	65	Do. 5½pc '85-87	66	−½	8.32	14.00
70¼	66¼	Do 6¾pc '88-90	67	−½	10.49	13.72
23¾	20¾	Do. 3pc '20 Aft.	21¼	.....	14.29	—
97¼	95	Sunderland 12¼pc 1984	95¼	.....	12.86	13.97

COMMONWEALTH AND AFRICAN LOANS

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
95	92¾	Aust. 5½pc '81-82	95	.....	5.85	13.26
87½	83½	Do. 6pc 1981-83	84¼xd	.....	7.12	13.66
67¼	60⅛	N.Z. 7¼pc 1988-92	61xd	.....	11.77	14.24
81¼	76½	Do. 7½pc '83-86	76½xd	.....	9.77	14.09
141	115	S. Rhod. 2½pc Non-Ass.	137	.....	—	—
59	43	Do. 3½pc 80-85 Assd.	53	.....	6.68	20.60
40	26	Do. 4½pc 87-92 Assd.	36	.....	12.99	19.00
395	333	Zimbabwe Ann (£100pa)	375xd	.....	—	21.47

LOANS

Public Board and Ind.

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
64	60	Agric. Mt. 5pc '59-89	60	−2	8.22	13.08
29½	26½	Met. Wtr. 3pc 'B'	27	−¼	11.44	13.68
114	98½	U.S.M.C. 9pc 1982	106xd	.....	8.49	—
97¼	92½	Do. without Warnts.	92½xd	.....	9.72	16.30

Financial

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
101½	98¾	FFI 14pc '83	99⅞	−¼	14.02	14.07
92	88½	FFI(UK Fr)5½pcDb. '80-2	91½	.....	6.01	13.66
83½	79½	Do. 6¼pcDb. '81-84	79½	.....	12.17	14.70
93	86½	Do. 10½pc Uns.Ln. '86	90½	.....	12.20	14.80
92	79¼	Do. 11pc Uns.Ln. '88	88½	.....	13.11	14.30
92	86½	Do. 11¾pc Uns.Ln. '90	89½	.....	13.87	15.00
94½	88½	Do. 12½pc Un. Ln. 1992	89	.....	14.51	15.20
64½	58½	Do. 7¼pcADeb. '89-92	59½	+½	12.27	14.70
62	58½	Do. 7¼pcADeb. '91-94	58½	.....	12.76	14.80
72½	68	Do. 9pc 'A' '91-94	68½	.....	13.54	14.90
70	65	Do. 8⅞pcLn. '92-97	65½	.....	14.21	15.00

FOREIGN BONDS & RAILS

1981 High	Low	Stock	Price £	+ or −	Div. % Gross	Red. Yield
72	58	Antofagasta Rly	72	.....	—	—
55	55	Do. 5pc Pref.	55xd	.....	—	—
98	98	Chilean Mixed	98	.....	3	f3.10
28	15	Chinese 4½pc 1898	15	.....	—	—
22	14	Do. 5pc 1912	14	.....	—	—
18	9	Do. 5pc 1913	9	.....	—	—
16	9	Do. 5pc '25 Boxer	9	.....	—	—
94	83¼	Denmark 13pc 2005	83¼xd	.....	13	15.52
40	36	Greek 7pc Ass.	40	+4	3½	f8.83
35	33	Do. 6pc 28 Stb. Ass.	35	+1	3	f8.84
32	30	Do 4pc Mixed Ass.	32	.....	2	f6.42
52	48	Hung. '24 Ass.	48	.....	2¼	f5.75
20½	18¼	Hydro Quebec 15pc Ln 2011	20¼	.....	15	15.48
67	62	Iceland 6½pc '83-88	67	.....	6½	14.50
102	92½	Do. 14½pc Ln. 2016	93½	.....	14½	16.05
90¼	85¾	Ireland 7½pc '81-83	89	.....	7½	16.02
79¼	71	Do. 9¾pc '91-96	71	.....	9¾	15.05
195	180	Japan 4pc '10 Ass	180	.....	—	—
79	67	Do. 6pc '83-88	67	.....	6	14.01
165	155	Peru Ass. 2007	165	.....	5.22	f3.17
100⅞	95½	Sweden 13½pc 1986	96¼	−¼	13½	14.61
$79	$77	Turin 9pc 1991	$77½	.....	—	f11.61
DM90	DM90	Turin 6½pc 1984	DM90	.....	—	9.45
96	96	Uruguay 3½pc	96	.....	3½	3.86

AMERICANS

1981 High	Low	Stock	Price £	+ or −	Div. Gross	C'vr	Y'ld Gr's
27⅝	19⅝	ASA	25⅞xd	.....	$5.00	—	9.2
27⅝	27⅛	AMF 5% Conv. '87	27⅞xd	.....	5%	—	F11.6
14⅞	912p	Abbott Labs.‖	13⅞	−¼	h72c	—	2.5
30⅞	16½	Amax $1	27xd	+¼	$2.40	—	4.2
24⅛	16⅝	Amer. Express $0.60	24⅛	+¼	♦$2.00	—	4.0
22⅝	15½	Amer. Medical Intl. $1	22⅝	+¼	64c	—	1.3
13½	11¼	Bank America Corpn.	12⅞	−⅛	$1.52	—	5.8
15⅝	12⅛	Bankers N.Y. $10	15½	−⅛	$1.85	—	5.7
11⅛	650p	Barnes Grp. $6⅔	10⅞	+⅛	$1.00	—	4.4
30	22¼	Bendix Corp. $5	29¼	.....	$3.00	—	4.8
14⅞	951p	Beth Steel $8	12¼xd	+⅛	$1.60	—	6.0
17⅞	975p	Brown'g Fer. c16⅔	17⅝	.....	84c	—	2.2
10⅝	564p	Brunswick Corpn.‖	10⅝	.....	90c	—	4.0
24¼	20	Burroughs Corp. $5	21	+½	$2.60	—	5.9
29½	19⅞	CBS $2.50	29¼xd	−¼	$2.80	—	4.5
17⅞	12¼	C.P.C. $½	17⅜	+⅛	$1.92	—	5.2
34⅞	23	Caterpillar‖	34⅞	.....	$2.40	—	3.3
25⅞	18	Chase M'htn.$12.5	25⅞	+⅛	$3.10	—	5.7
18½	11¼	Chesebrough $1	18½xd	−⅛	$1.52	—	4.0
323p	178p	Chrysler $6¼	310p	−3	—	—	—
13⅝	883p	Citicorp $4	13⅝	+⅛	$1.56	—	5.4
14⅞	865p	City Inv. $1.25	14	.....	$1.60	—	5.4
22½	13⅞	Do. Cm. Prf. B $1	21⅞	.....	$2.00	—	4.4
848p	587p	Colgate-P. $1	843p	−4	$1.12	—	6.3
29⅛	18⅜	Colt Inds. $1	29	−⅜	$2.90	—	4.7
27½	21⅞	Conoco $5	26xd	+⅛	$2.20	—	4.0
16⅛	11⅝	Cons. Foods $1⅓	15⅞	−¼	$1.90	—	5.7
19	12⅞	Cont. Illinois $10	18⅞	−⅛	$1.80	—	4.5
24	18¼	Crown Zell. $5	20⅞xd	−¼	$2.30	—	5.2
935p	620p	Damson Oil US$0.4	640p	−20	—	—	—
18⅞	11⅛	Eaton Crp. $0.50	18⅞xd	+½	$1.72	—	4.4
34½	19⅞	Esmark $1	34⅜	+½	$1.84	—	2.6
34	30⅛	Exxon ‖	32¼	+¼	$6.00	—	8.8
918p	639p	First Chicago $5	918pxd	+16	$1.20	—	6.2
25¼	17⅜	Fluor Corp. $⅝	17⅜	−⅛	80c	—	2.2
11¼	789p	Ford Motor $2	11½xd	−¼	$1.20	—	5.0
20	15½	GATX $⅝	20	+⅛	$2.40	—	5.7
32⅝	24⅝	Gen. Elect.$2½	32⅝	+¼	$3.20	—	4.7
16⅞	11½	Gillette $1	16⅞	+⅛	$1.90	—	5.4
48⅛	41⅞	Honeywell $1.50	43¼xd	−⅜	$3.00	—	3.3
23⅛	10⅞	Hutton (E. F.) $1	22¼xd	−¼	$1.00	—	2.1
29¾	26⅛	I.B.M. Corp. $1.25	29¾	+¼	$3.44	—	5.5
37⅛	28¾	Ingersoll-R $2	36⅝	−⅛	$3.40	—	4.4
960p	693p	I. U. International‖	819p	+3	♦$1.10	—	6.4
16⅝	13½	Int. Tel. & Tel. $1	15⅞	+⅛	$2.60	—	7.8
12⅞	10	Kaiser Al. $⅓	12¼	+⅛	$1.40	—	5.4
491p	304p	Lionel Corp. $0.10	459pxd	+11	20c	—	2.1
17	12½	Lone Star Inds.	16⅝xd	.....	$1.85	—	5.3
21	16⅞	Louisiana Land $0.15	16½xd	−⅛	$1.80	—	5.2
18⅛	12¾	Manf. Han. US$7.50	18⅛	+⅛	$2.72	—	7.2
20⅛	12⅝	Merrill Lynch $1	19⅞	−¼	$1.12	—	2.7
29¼	20¼	Morgan (JP) US$2.5	29	−¼	$3.10	—	5.1
850p	605p	Norton Simon Inc. $1	788p	−16	$1.08	—	6.5
20½	13½	Pennzoil	18⅝xd	−½	$2.00	—	2.7
18⅞	12¼	Quaker Oats US$5	18⅞	+⅝	$1.60	—	4.2
39⅝	27⅞	Reliance $0.25	39⅝	+⅞	$3.00	—	3.6
17¾	12⅛	Rep. N.Y. Corp. $5	17¾	+¼	$1.20	—	3.2
914p	690p	Rexnord $5	868p	+3	$1.08	—	5.9
20⅞	14⅝	Rockwell Intl. $1	20⅜	−⅛	$1.40	—	3.3
459p	362p	Saul (B. F.) $1	459p	+17	20c	—	2.1
24⅞	17⅞	Shell Oil $1	19⅞	−⅛	$1.80	—	4.4
27	22¼	Sperry Corp. $0.50	25⅞	.....	$1.76	—	3.3
20¾	16	Sun Co. Inc.	16xd	−⅛	$2.10	—	6.3
30½	22½	TRW Inc. $1¼	30¼xd	+⅜	$2.20	—	3.5
21⅞	17⅞	Tenneco $5	18¾	−⅛	$2.60	—	6.6
176	139	Do. 10% Ln. Stk. 91-95	141xd	−1	10%	—	f7.1
10⅛	726p	Tesoro Pt. US$0.16⅔	899pxd	−15	30c	—	1.6
20⅞	15⅜	Texaco $6.25	16⅞	.....	$2.80	—	7.9
40¼	22⅝	Time Inc. $1	39⅝	−⅜	$1.80	—	2.2
12	752p	Transamerica $1	12	+⅜	$1.28	—	5.1
28⅜	20¾	Union Carbide $1	28⅜	+⅜	$3.20	—	5.4
28¾	22½	Utd. Tech. $US5	27¼	−1¼	$2.40	—	4.2
16⅜	969p	U.S. Steel $1	16⅜xd	+⅛	$2.00	—	5.8
12½	10	Woolworths $3½	12½xd	.....	$1.80	—	6.8
15⅝	10½	Zapata Corp. 25c	11⅝	−½	40c	—	1.7

CANADIANS

1981 High	Low	Stock	Price £	+ or −	Div. Gross	C'vr	Y'ld Gr's
11⅞	10⅞	Bk. Montreal $2	11⅞xd	+⅛	$1.76	—	6.0
12⅛	10⅞	Bk. Nova Scot. $1	11⅞	+½	$1.68	—	5.8
785p	660p	Bell Canada $8⅓	785p	.....	$1.80	—	9.1
798p	630p	Bow Valley‖	771p	−27	15c	—	0.8
14⅛	11⅝	Brascan‖	13⅞	.....	$1.80	—	5.3
12⅛	970p	Can.Imp.Bk. $2	11¼	+⅛	$1.88	—	6.3
19⅞	13⅞	Can.Pacific $5	18⅞	+⅛	$1.90	—	4.0
31¼	28	Do. 4pc Deb. £100	28	.....	4%	—	14.3
10¾	790p	Can. P. Ent.‖	975p	−15	$1.12	—	4.5
11½	810p	Gulf Can.‖	10⅝xd	−⅜	44c	—	1.7
11	875p	Hawker Sid. Can.‖	920p	−5	96c	—	4.1
19⅝	15⅞	Hollinger $5	19⅝	.....	$2.20	—	4.4
10⅞	812p	Hudson's Bay ‖	10⅝	+⅛	$1.20	—	4.5
15¼	795p	Hud.B.Oil G. $2½	13⅞	+¼	32c	—	1.0
15	11½	Imperial Oil‖	14⅛	+⅛	$1.40	—	3.9
11	765p	Inco‖	10⅝	−¼	$US72c	—	3.2
700p	450p	Int. Nat. Gas $1	665p	.....	$1.10	—	6.6
210p	155p	Massey Ferg.‖	180p	−5	—	—	—
120p	80p	Place Gas $1	87p	−3	—	—	—
16⅞	10¼	Rio Algom	16⅞xd	+⅛	$1.50	—	3.6
12	10⅞	Royal Bk. Can. $1	12	+⅜	$1.60	—	5.3
26	23¾	Seagram Co. C$1	25⅞	+⅛	US$1.40	—	2.6
13⅞	11¼	Tor. Dom. Bk. $1	12⅞	−⅛	$1.60	—	5.0
10½	750p	Trans Can. Pipe	10	+⅛	$1.16	—	4.6

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCE—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

OIL AND GAS

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

Tins

Copper

Miscellaneous

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
25½	14	Burma Mines 10p	23	......	0.75	0.9	4.7
330	180	Colby Res. Corp.	295	−15	—	—	—
275	200	Cons. Murch. 10c.	275	......	t030c	1.8	6.2
98	70	††Hemerdon 10c.	70	......	—	—	—
180	135	Highwood Res.	145	+5	—	—	—
400	300	Northgate C$1	355	+5	—	—	—
580	372	R.T.Z.	525	−7	16.0	3.2	4.4
£125	£93½	[illegible]	£117	+1	Q9½%	—	f8.6
143	110	††SPD Minerals 10p	110#	......	—	—	—
47	32	Sabina Inds. C$1	35	......	—	—	—
44	28	††SWCM 10p	41	......	—	—	—
550	465	Tara Exptn. $1	505	+5	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ⁓ Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ☆☆ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	40	−1
Bertam	13	......
Bdg'wtr. Est. 50p	445	......
Craig & Rose £1	£11½	......
Fife Forge	66	......
Finlay Pkg. 5p	21	......
Graig Ship. £1	£22	+½
Higsons Brew	79	......
Holt (Jos) 25p	480xd	......
I.O.M. Stm. £1	158	......
Pearce (C. H.)	950	......
Peel Hldgs.	100	......
Sheff. Refrshmt	101	......
Sindall (Wm.)	185	......

IRISH

Conv. 9% '80/82	£92⅞	......
Nat. 9¾% 84/89	£74	......
Fin. 13% 97/02	£79¼	+¼
Alliance Gas	80	......
Arnott	235	......
Carroll (P.J.)	88	......
Concrete Prods.	95	−3
Helton (Hldgs.)	28	......
Ins. Corp.	420	......
Irish Ropes	53	......
Jacob	56	......
T.M.G.	15	......
Unidare	100	......

OPTIONS

3-month Call Rates

Industrials

A. Brew	6½
BOC Intl.	11
B.S.R.	4½
Babcock	11
Barclays Bank	36
Beecham	15
Blue Circle	35
Boots	20
Bowaters	24
Brit. Aerospace	14
B.A.T.	25
Brown (J.)	7
Burton Ord.	12
Cadburys	7½
Courtaulds	6
Debenhams	8
Distillers	17
Dunlop	7½
Eagle Star	22
F.N.F.C.	3½
Gen. Accident	30
Gen. Electric	60
Glaxo	28
Grand Met.	14
G.U.S. 'A'	44
Guardian	32
G.K.N.	16
Hawker Sidd	25
House of Fraser	14
I.C.I.	20
"Imps"	7
I.C.L.	6
Ladbroke	30
Legal & Gen.	20
Lex Service	10
Lloyds Bank	28
"Lofs"	4½
London Brick	7
Lucas Inds.	18
"Mams"	20
Mrks. & Spncr.	9
Midland Bank	26
N.E.I.	7
Nat. West. Bank	32
P & O Dfd.	13
Plessey	30
Racal Elect.	34
R.H.M.	5
Rank Org. Ord.	18
Reed Instnl.	20
Sears	5
Tesco	5½
Thorn EMI	30
Trust Houses	18
Tube Invest.	18
Turner & Newall	10
Unilever	50
Utd. Drapery	6½
Vickers	15
Woolworths	5

Property

Brit. Land	8
Cap. Counties	11
Land Secs.	37
MEPC	20
Peachey	15
Samuel Props.	13
Town & City	2¼

Oils

Brit. Petroleum	36
Burmah Oil	16
Charterhall	9
KCA	22
Premier	10
Shell	34
Tricentrol	30
Ultramar	44

Mines

Charter Cons.	21
Cons. Gold	45
Lonrho	9
Rio T. Zinc	45

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 40

FINANCIAL TIMES
Thursday June 4 1981

OFFICIALS 'ALL BUT CERTAIN' OF RENEWAL FOR AIR DEFENCE PACT

BAe set for £500m Saudi deal

BY JAMES BUCHAN

BRITISH Aerospace is expected soon to sign a £500m extension to its Government-backed air defence agreement with Saudi Arabia.

The order, which will cover maintenance, training and related services for the 31 British Lightning interceptors and 40 Strikemaster trainers still in service with the Royal Saudi Air Force, is likely to be worth between £150m-£200m a year from next year until 1985.

The present contract, a five-year extension signed in 1977, expires in August, 1982. But British Aerospace officials are "all but certain" the deal can be ratified between the British and Saudi Governments before the end of July—effectively the last moment the company can recruit for its current programme.

An important factor in negotiation could be next week's visit to London by King Khaled, who will be accompanied by Prince Sultan, the Defence Minister.

The Lightning programme, which has already been worth more than £1bn in nominal terms, began with a £90m order for a private consortium involving British Aircraft Corporation in 1966. Because of problems with the contractor servicing the aircraft, the first extension, signed in 1973 and worth £300m, was placed on a government-to-government basis with BAC as prime contractor.

The second extension, signed in 1977 and worth at least £500m, was the largest single export order won by the UK.

One of the chief reasons for the extension is that if the Lightnings were phased out next year, Saudi Arabia would be dependent for its front-line strength on U.S.-supplied aircraft, the Northrop F-5E and the McDonnell Douglas F-15 Eagle.

Saudi defence planners have always insisted that they could not rely solely on the U.S. in the event of war with Israel, Washington's prime Middle East ally.

Washington has also forbidden the stationing of U.S.-made fighters at the kingdom's forward base facing Israel at Tabuk, in the north-west.

A series of fatigue tests, carried out over the past nine months at BAe's military aircraft division at Warton in Lancashire, has lengthened the projected life of the Lightning at least up to 1985. It seems more probable that the Lightnings will be combined into one squadron stationed at Tabuk.

Unless BAe can win another order, both the company and the UK face a sharp reduction in their presence and influence in Saudi Arabia after 1985. A major effort is underway to interest the Saudis in the Hawk advanced jet trainer.

Howe urges funds switch to poorer EEC nations

By John Wyles in Brussels

THE BRITISH Government yesterday unveiled an important new element in its EEC policy with a call for changes in the Community budget to switch funds from the richer to the poorer member states.

Sir Geoffrey Howe, Chancellor of the Exchequer, warned in the Hague that the "sustained punch-ups every two years" caused by the present budget arrangements damaged public support for the Community.

Speaking to the Netherlands Foreign Affairs Institute, Sir Geoffrey set out in detail for the first time the UK's aims for the EEC budget restructuring negotiations scheduled for the second half of this year.

Britain, which takes over the presidency of the EEC Council of Ministers for this period, will have a crucial role to play in this sensitive debate.

In the process, Sir Geoffrey made out his case for retaining the existing special arrangements—or something similar—which reduce Britain's net contribution to the Community budget. These expire at the end of next year.

He suggested that the new approach sohuld embrace the principle "which is the accepted doctrine in the budgets of national states . . . that resources should tend to flow from the prosperous to the less prosperous regions."

Sir Geoffrey acknowledged that, whatever the reforms to the Common Agricultural Policy agreed by the Ten over the next few months, they would not alone be sufficient quickly to correct the "unfair" elements in the Budget.

Developing non-agricultural programmes would help, but the Community would also "need special arrangements for correcting the total impact of the Budget."

In essence, Sir Geoffrey was calling for a new mechanism which would determine how much each member state paid to or received from the EEC budget according to objective criteria which should, he said, include relative prosperity as well as population size.

The European Commission is wrestling with the political and technical implications of this approach.

Since West Germany insists that it cannot pay much more to Brussels this suggests that Denmark and the Benelux countries would have to forgo most of their £770m-£900m a year net receipts from the EEC budget. Together with France, they may even become net contributors once Spain and Portugal join the EEC.

Sir Geoffrey's speech will not be welcomed in all EEC capitals, not least because of its emphasis on the EEC budget and the shortcomings of the CAP.

Indeed, it may be seen as lacking in ambition for the Community's future development, since the Chancellor ruled out increasing the EEC's budget revenues and said this was not the year "indeed probably not the decade, for launching major new spending programmes."

Talbot UK lost record £67.35m net last year

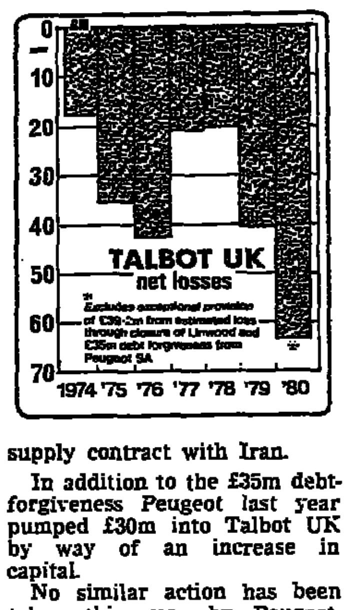
BY JOHN GRIFFITHS

TALBOT UK yesterday announced a record net loss of £67.35m for 1980. Mr George Turnbull, its chairman, said continuing reconstruction of the company, a subsidiary of the French Peugeot group, would mean a further substantial loss this year. Talbot expects, however, at least to break even in 1982.

The 1980 loss includes an exceptional provision of £39.2m for closure of the Linwood, Scotland, plant and a £35m grant from the French parent by way of debt-forgiveness. The net loss before both provisions was £63.15m, against £41.13m in 1979.

Talbot, the UK arm of Chrysler of the U.S. before its acquisition by Peugeot in 1978, last made a profit in 1973. Its accumulated losses since amount to about £246m.

Mr Turnbull blamed 1980's loss primarily on the high level of UK interest rates, the strength of sterling, "disorderly" market conditions in the UK (a reference to the fierce discounting war between manufacturers which is only now abating since breaking out in the spring of last year) and problems surrounding Talbot's supply contract with Iran.



In addition to the £35m debt-forgiveness Peugeot last year pumped £30m into Talbot UK by way of an increase in capital.

No similar action has been taken this year by Peugeot, which last month announced a loss of FFr 966m (£86.8m) for Automobiles Peugeot, the main vehicles group covering Peugeot and Talbot vehicle operations. Citroen, the other division, lost FFr 443m (£38.52m).

However, the parent company is expected to announce shortly further investment in Talbot, covering the setting up of an assembly operation for the Horizon hatchback model, at Ryton, Coventry, possibly with the help of UK Government funds.

In the past two years the UK operation has cut its labour force from 28,000 to under 10,000. It is also in the process of merging its 600 Talbot and 250 British Peugeot franchises.

Final negotiations are in progress to secure the supply to Iran of 100,000 car-kits a year over a five-year period and other Iranian business worth a total £1bn.

Further, the recently announced partnership agreement involving French state-owned Renault Vehicules Industriels and Talbot's Dodge commercial subsidiary, which is certainly making a loss also, should ease some at least of the financial pressures on Talbot.

Mr Turnbull said those steps, taken together, made him confident Talbot would be put "on a sound and secure basis for the future."

Ford "cannot raise pensions," Page 7

Metro Cammell may cut 600 jobs

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

METRO CAMMELL WEYMANN, the Birmingham-based bus manufacturer, may shed up to 600 jobs in the next few months, shop stewards were warned yesterday.

The news comes a week after London Transport placed its entire 1982 order for 275 double-decker buses with Leyland Bus. In 1980 Metro Cammell built 300 of the 450 doubledecker buses ordered by London Transport.

The cuts would virtually halve the work force making buses and would be another serious blow to Midlands vehicle assembly industry.

The company said last night it was facing a "difficult situation" following a reduction of double-decker requirements throughout the country, the London Transport decision being particularly serious.

Metro Cammell told shop stewards that the number of employees affected by the cuts would depend on orders for 1982 from other passenger transport authorities.

Metro Cammell, part of the Laird group, has been one of the success stories of recent years, fighting back from the threat of closure to win new markets. Its Metrobus broke Leyland's grip on the UK double-decker market to account for about 50 per cent of annual sales.

The company's other strength has been providing vehicles for mass-transit rail systems. About 1,600 workers are employed in that sector at the Birmingham factory.

Schmidt wants steel aid ended

BY JOHN WYLES IN BRUSSELS

CHANCELLOR Helmut Schmidt of West Germany has made an urgent personal appeal to the other heads of EEC governments for the rapid elimination of national steel industry subsidies.

Hoping for progress at today's meeting of Community industry ministers in Luxembourg, the Chancellor has written to the ten capitals stressing Bonn's determination to quash government subsidies which, he claims, distort competition within the Community.

His stand reflects intense pressure from the West German steel industry which claims its profits and market share have been damaged by imports of subsidised products.

However, the EEC ministers are unlikely to reach any conclusions today on European Commission proposals for phasing out all subsidies by the end of 1985. Further discussions are required, and both West Germany and the UK will be pressing at another meeting on June 24 for a final decision to end government handouts a year earlier than the commission has suggested.

But West Germany and the UK could be seriously at odds today over the scope of the more limited compulsory steel production quota system which will run from July 1 after nine months of a comprehensive mandatory regime. The Ten are agreed that the system should apply to steel coils, which account for about 50 per cent of output, because the main EEC producers cannot reach a voluntary agreement.

Britain, however, argues that there is also no convincing voluntary agreement covering reinforcing and merchant bars.

Mexico oil

Continued from Page 1

give discounts on their official prices of $40 to $41 a barrel. There have been market rumours—so far unsubstantiated—of the Nigerians offering $2 a barrel discounts.

North Sea oil prices normally follow those for the similar African crudes.

However, the British National Oil Corporation (BNOC), the main UK trader, is under strong pressure from oil companies with refinery interests to take a lead and cut $2 to $3 off the $39.25 official price of North Sea crude.

BNOC seems unlikely to consider price cuts before July 1, when it makes its regular quarterly price review, unless its hand is forced by an early African move.

BP, which is expected to announce poor first quarter results today, has recently sold spot crude from its Forties field for $34 a barrel or less.

Foot challenge to Benn

Continued from Page 1

decision to contest the election for the deputy leadership and more especially because of the grounds on which he has chosen to conduct the argument."

Mr Foot reminded his colleagues that he had urged Mr Benn weeks ago not to thrust the Labour movement into this "divisive and futile contest" as had many members of the Tribune Group.

He rejected Mr Benn's idea that it is the collective responsibility of the Shadow Cabinet to promote the policies of the Labour Party conference, and said he intended to take the issue to the Parliamentary Labour Party.

The indications are that Mr Foot intends, before the summer recess, to put before Labour MPs the whole question of shadow responsibilities and the relationship of MPs to the rest of the party, in an attempt to halt Mr Benn's campaign to transfer power from Westminster to the rank and file.

He accused Mr Benn of questioning his good faith in not promoting conference decisions and spelt out at length recent developments within the party on four major issues — economic policy, attitudes towards the European Community, defence policy and the arms race, and Northern Ireland.

Philip Bassett writes: Speaking earlier yesterday, Mr Benn turned aside the criticisms of some of his colleagues in the Parliamentary party. Instead of his being in breach of collective responsibility, he suggested that the Labour front bench had failed to support party policy on a number of key issues.

He told the annual conference of the train drivers' union Aslef—that many of the tensions which had grown in recent years between the party conference and the party leadership had arisen from the fact that the PLP had been encouraged to see itself as a semi-autonomous body instead of an integral part of the party with a responsibility for putting forward Party policy.

In his address to the conference, which was opened to the press for the first time in the union's 100-year history, Mr Benn said the recent reforms in the party offered members their first real chance to play a full part in policy-making.

The conference, the first in the present round of union conferences to invite Mr Benn to speak from the platform, responded to his speech with three standing ovations and then by delegates voting 45 to 2 to place the union's 27,000 affiliated votes behind his candidacy.

The Aslef decision means that six unions with about 370,000 block votes are so far pledged to Mr Benn. There is a strong possibility of another 500,000 votes from the National Union of Public Employees and 16,000 from the Fire Brigades Union in the near future.

Next week he will make efforts to win the 650,000 votes of the normally-moderate General and Municipal Workers' Union.

Inquiry into state industry financing

By John Elliott, Industrial Editor

SIR GEOFFREY HOWE, the Chancellor of the Exchequer, was forced yesterday by leaders of the Confederation of British Industry, the TUC and nationalised industries to agree to set up a broadly-based working party on the problems of funding investment in State-owned businesses.

But Sir Geoffrey insisted that the inquiry, which will be made up of representatives from the Government, CBI, TUC and nationalised industries, should have a senior Treasury official or minister as its chairman. He also said it should be under the Treasury's "general guidance."

Sir Geoffrey made his concession at the end of a one and a half hour debate in the National Economic Development Council after an initial offer of further debates on State industry financing, in the full council had failed to placate his critics from both sides of industry.

Continuing his growing interest in passing major problems to tripartite-style bodies, Sir Geoffrey also agreed yesterday, in his capacity as chairman of the council, to let winter's NEDC "task force" on energy pricing be reconvened. A new ad hoc advisory group was also authorised to oversee studies of energy conservation to be carried out by "Little Neddies" covering areas such as steel, paper and board, and foundries.

The creation of the nationalised industry financing study pleased some of the industries' chairmen yesterday and it was generally thought that the council's debate had helped clear a lot of ideology from the subject.

But the study group is unlikely to prepare a report before the early autumn and will merely take over debates already conducted in the past 18 months by the Rowrie and Monck committees (named after two senior Treasury officials who have run them) which have comprised civil servants and representatives of the nationalised industries.

In addition, the Nationalised Industries Chairmen's Group has its own study on financing in progress and the Commons Treasury and Civil Service Committee is to launch its own inquiry into the subject on Monday.

All this activity stems from growing frustration among the chairmen at the way the Government's tight monetary controls have stricted their external financing limits and eaten into their investment plans.

British Telecom's financing limit was raised by £200m on Tuesday.

Details, Page 8; Editorial Comment, Page 22

Weather

UK TODAY

DRY, sunny, rain later. Temperatures near normal.

London, most of England, Glasgow, I.o.M.
Max. temp. 19C (65F).

S.W. England, Wales, Channel, N. Ireland
Strong winds. Cloudy. Brighter later. Max. temp. 15C (59F).

Rest of Scotland, Orkney, Shetland
Showers, becoming cloudy. Max. temp. 15C (59F).

Outlook: Unsettled, becoming cooler.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	22	72	L. Ang.†	F	17	63
Algiers	S	27	81	Luxmbg.	F	21	70
Amsdm.	F	19	66	Luxor	S	37	99
Athens	S	29	84	Madrid	C	18	64
Barclna.	C	23	73	Majorca	F	23	73
Beirut	S	25	77	Malaga	S	26	79
Belfast	C	15	59	Malta	S	27	81
Belgrd.	S	31	88	M'chstr.	F	17	63
Berlin	T	21	70	Melbne.	F	16	61
Biarritz	C	17	63	Mc. C.†		—	—
Bmghm.	F	17	63	Miami†	S	28	82
Blackpl.	F	16	61	Milan	S	28	82
Bordx.	R	15	59	Montrl.†	C	15	59
Boulgn.	F	15	59	Moscow	F	21	70
Bristol	F	17	63	Munich	F	26	79
Brussels	S	20	68	Nairobi	C	22	72
Budpst.	S	31	88	Naples	S	27	81
Cairo	S	31	88	Nwcatl.	C	17	63
Cardiff	F	17	63	N York†	C	16	61
Cas'b'ca	S	20	68	Nice	S	23	73
Cape T.	C	16	61	Nicosia	S	24	75
Chicg.†	F	16	61	Oporto	S	15	59
Cologne	C	17	63	Oslo	C	17	63
Cpnhgn.	T	14	57	Paris	C	19	66
Denver†	C	13	55	Perth	C	15	59
Dublin	F	16	61	Prague	S	28	82
Dbrvnk.	S	26	79	Reykjvk.	S	15	59
Ednbgh.	F	16	61	Rhodes	S	27	81
Faro	F	21	70	Rio J'o†		—	—
Florence	S	30	86	Rome	F	27	81
Frankft.	C	20	68	Salzbrg.	S	30	86
Funchal	F	20	68	S F'cisc†	F	12	54
Geneva	F	24	75	Singapr.	C	31	88
Gibraltar	F	23	73	S'tiago†		—	—
Glasgow	R	15	59	Stckhm.	C	19	66
G'msey	S	14	57	Strasbg.	C	23	73
Helsinki	S	13	55	Sydney	F	18	64
H. Kong	C	26	79	Tangier	F	21	70
Innsbrk.	S	30	86	Tel Aviv	S	25	77
Invrnss.	C	17	63	Tenerife	S	24	75
I.o.Man	S	13	55	Tokyo	S	23	73
Istanbul	S	25	77	T'ronto†	C	16	61
Jersey	S	17	63	Tunis	S	26	79
Jo'burg	S	19	66	Valencia	C	26	79
L. Plms.	S	22	72	Venice	S	25	77
Lisbon	S	20	68	Vienna	S	31	88
Locarno	F	24	75	Warsaw	S	26	79
London	S	19	66	Zurich	C	23	73

C—Cloudy. F—Fair. R—Rain. S—Sunny. T—Thunder

† Noon GMT temperatures.

THE LEX COLUMN

Sterling in the firing line

Index fell 0.3 to 546.7

International currency speculators seem to have decided that the D-Mark has fallen far enough for the time being—ahead of a possible rise in the German discount rate today—and switched their attention to sterling. As the pound has edged closer to the conspicuous barrier of $2 it has gathered downwards momentum as leads and lags are shifted in favour of the dollar, and yesterday it fell more than two cents to $2.0175.

For the last couple of years the absence of large central bank intervention has made sterling a rewardingly volatile currency in which to trade. Yesterday, though, the Bank of England seemed to be supporting the pound more actively than usual.

There are certain attractions in stepping up intervention at present. It can be argued that since the weakness of sterling is largely a result of very high dollar interest rates there is a case for smoothing out the fall —presumably, on the basis that dollar rates will soon ease. Worries about wholesale price inflation are growing, while the reserves are very high and a little monetary tightness resulting from support for sterling would not come amiss at present. But the Bank will surely be anxious to avoid being seen to support a particular level such as $2, which would simply show the market its hand.

Apart from dollar interest rates, the bears of sterling have plenty to comfort them, from the supposed disappearance of the UK current account surplus (under cover of the current statistical blackout) to the Benn syndrome which is said to be upsetting those holders of sterling once bewitched by the Thatcher effect. The next thing to look forward to will be CBI complaints about rising raw material prices.

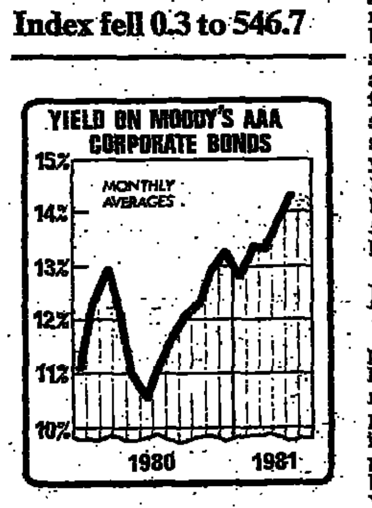
A T and T

American Telephone and Telegraph is the latest and largest in a string of U.S. companies to raise capital through an equity issue. The AT and T offering, which will produce around $900m, follows hard on the heels of similar exercises by Digital Equipment and Pillsbury.

The company says that it wants to project its triple A credit rating by bringing the debt/equity ratio to under 45 per cent and the effect of the offering will be to reduce gearing from 46.3 per cent to 46 per cent. The idea of AT and T losing its rating may seem far-fetched but, with competition in the telecommunications industry being thrown open, the group is slowly changing from an utility to an industrial company, to which more stringent gearing measurements are applied by the credit rating agencies.

There is therefore some strategic sense in its decision, but the overriding impression is that AT and T wants to exploit a share price which, until the announcement, was trading at its highest level for 2½ years. At the same time, the cost of fixed interest debt has risen alarmingly. In May last year, 10-year money cost AT and T 10¼ per cent; now it would be more like 14½ per cent.

The catch for shareholders is that, with the shares trading at close to 16 per cent below book value of assets, and at less than half the replacement value, the offering will dilute the asset backing of their own holdings. Perhaps it is a pity that rights issues have gone out of fashion in the U.S.



Ward/Tunnel

The odds are lengthening against Ward's final offer for Tunnel, which closes on Monday. RTZ has increased its shareholding in Tunnel to 5.9 per cent of the votes, and is keeping the Tunnel share price out of Ward's preferred buying range. If Ward fails, the betting is that it will seek to sell its near-42 per cent holding in Tunnel, either by placing them in the market or by offering them to RTZ which would then have to make an outright bid.

Either way, Ward's already strong balance sheet would be transformed. Tunnel's present price is 441p, and a placing at, say, 400p would be worth the equivalent of about 53p per share to Ward net of capital gains. Ward's net assets would rise to over £100m and its cash balances to wel over £50m: loans stand at £21m. If RTZ does plan a bid, these figures could be usefully higher. No wonder Ward's share price ignored an uninspiring set of interim figures yesterday. Its shares have rallied 16 per cent to 131p (for a market capitalisation of nearly £80m) since RTZ showed its hand.

Berisford/BSC

The Government's failure to place its 24 per cent stake in British Sugar two years ago means it can now get a better price for its shares but leaves it in the extremely delicate position of possibly deciding a bitterly contested takeover bid. Yesterday's statement confirms that its position is studiedly neutral—it will not sell its shares to Berisford unless a majority of the uncommitted shareholders does so first.

It is a peculiar sort of shareholder, though, that cannot make up its own mind about the virtues of a bid, even if the idea that it is somehow admirable to have no view fits in well with the policies of malign neglect that have plagued the UK sugar industry for a decade.

Marley

The underlying trading picture has deteriorated in the latest six months at Marley. In spite of loss elimination of perhaps £2m compared with the half year immediately preceding, pre-tax profits have continued to fall and, at £5.1m for the first six months are just under half the figure for the comparable period. Last year's revaluation has meant an extra £1m on the depreciation charge, but the main damage has come in UK trading, down from £8.3m at £4m. Here the contribution from concrete tiles has fallen from £5½m to nothing, with volume down by more than a quarter. The other main decline has been in the Home-care division, whose contribution has been wiped out by the opening costs of 11 stores.

Despite tougher competition in France the overseas contribution has been maintained. But if Marley had not switched to translating overseas results from closing to average rates—in a more whole-hearted welcome for ED 27 than has been seen in some quarters—overseas profits would have shown a decline, perhaps of about £½m. The shares rose 2p yesterday to 45p, where the prospective yield is 7.3 per cent.

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